

# Ships' officers fight for seamen's travel perks

by John Draper

LIVE in Auckland, work in Wellington—and the boss will pay the air fare every week. It's a desk-bound executive's dream, specially if Auckland could be swapped for the Bay of Islands or Waiheke Island or anywhere.

But for seamen, cooks and stewards working on the Cook Strait Rail ferries it is a reality. Their travelling bills cost Railways around \$400,000 a year.

And now officers who often live in the same area, if not the same street, and frequently go to work on the same flights, want their travel paid too.

Officers living outside Wellington are entitled only to concessionary travel on trains and Road Services buses to get to and from work, like all other railway employees except the seamen and sea-going cooks and stewards.

The Railways claims that officers who are classed as permanent staff are told the job is Wellington-based when

they are employed. And as Government employees they are entitled to removal expenses and help in finding housing in the Wellington area.

If they choose to live elsewhere, the travel is at their own expense. Other ranks on board all New Zealand registered ships are regarded as industry employees and can be ordered to work on any ship out of any local port, so long as the employer pays the cost of getting aboard.

Travel allowances have been a running sore for the Railways since they were first introduced, supposedly on a year's trial in 1977.

NZR was then being pressured by the unions as well as other members of the Maritime Employers Association to pay the allowances in return for a national register of seamen, cooks and stewards.

The Jamieson Commission of Inquiry into shipping first called for a national roster to be established in 1971.

Its investigation stemmed from the Wainui dispute of 1968. At that time and through to 1977 the Seamen's and the Cooks and Stewards Unions controlled the registers and allocation of members to ships. Employers objected strongly to the union's role. If a seaman was sacked and the employers were looking for a replacement, the union concerned frequently put forward the same man as being the only one available.

Forty-three times the Seamen's Union put forward a man who had been sacked from the Union Steam Ship's Wainui, bringing coastal shipping to a halt in October 1968.

Early in its report the commission of inquiry stated: "This is a sick industry. It seems to us that this is apparent to all engaged in it, but nobody seems to be able to do a great deal about it."

Jamieson's recommendations for a permanent roster lay idle until the Labour Government

decided to introduce regulations in 1975 setting up a register to be controlled by the Marine Division of the Ministry of Transport.

The Seamen's Union bitterly opposed the move and ordered its members not to sign up.

None did and the regulations still remain suspended.

Negotiations between the employers, the ministry and the unions eventually produced a national roster which came into effect in 1977.

The price, for the rail ferries, and the coastal oil tanker fleet based at Marsden Point, was to pay travelling costs from outports when seamen, cooks and stewards were not available on the Wellington "corner".

Union members now also get \$20 a day attendance pay when there is no work for them as they do not qualify for unemployment benefit.

As the agreement came into effect in January 1977 there were 50 outport workers on board the ferries.

By June 1978 there were 105

and a year later 161. One hundred officers also live outside Wellington.

Before the agreement seamen wanting to work on the ferries had to be registered at the Wellington corner.

And when called say from Oamaru or Auckland or the Bay of Islands, a seaman had to pay his own fare to and from Wellington.

Since the agreement, the same seaman will now almost certainly be registered in Auckland, Christchurch or Dunedin and the Railways pick up the tab for all his travel and accommodation expenses to and from the capital.

Besides the cost the change is having other drawbacks. At times when airports are closed a full complement cannot always be found for the ferries and sailings consequently cancelled.

Now the officers are demanding the same arrangements.

Before the Railways took over the management of the ferries from the Union Steam Ship Co in 1971, officers did get their travel paid to and from home.

But in a submission to an arbitrator on the point in 1972, the Railways successfully argued that "if the home port of officers serving on the rail ferries were to be other than Wellington and it became common knowledge that the department (NZR) was granting travel expenses to and from time off, it would only be a matter of time before the department was forced to similarly meet the travel costs of the considerable number of seamen, cooks and stewards currently serving on the rail ferries who reside outside

Wellington".

Seamen, cooks and stewards do now. Officers do not. Since 1977 it has been an annual source of friction between officers.

NZR estimate that a \$400,000 now spent on last could double if it is pressed into giving way to the officers.

To yield would go some way to relieving the Engineers' officers' claims that the railway to other shipyard workers has deteriorated. The Merchant Services Co also in the relatively argues now being investigated by another commission of inquiry, claims the effect mean more than \$500 a third officer living in Auckland putting his salary before a buson.

Ideally the Railways like all ferryworkers, the thought be given to a pay to make seamen permanent employees.

Realistically, Rail knows that neither of unions concerned would such a proposal. E members jealously guard right to be able to choose. Ships they work on, they freedom has been modified the 1977 agreement, not prepared to be flexible ship except by choice.

And there seems little. Railways management to persuade the two shed or not replace membership in the cap Other proposals to registers in each of main centres to serve purposes, are likely rejected also.

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NATIONAL  
BUSINESS REVIEW

## Unpaid claims send brokers in complex scramble for cover

by Rae Mawenagbar  
and Warren Berryman

A MAJOR insurance scandal threatens to break in New Zealand.

Hundreds of thousands of dollars in unpaid claims, particularly on wrecked planes and fishing boats, are believed to be at the heart of a scramble by lawyers to resolve settlement disputes, and insurance brokers to cover themselves against professional negligence actions.

Ultimately, the full extent of the actions could climb into the multi-million dollar bracket. And meantime huge insurance sums are being shifted from one broker to another in a bid to counter possible cover losses.

The affair stretches from New Zealand to Australia, Hong Kong and London. It has lawyers and brokers throughout this country in a tizz, has attracted the attention of the Insurance Council, Corporation of Insurance Brokers, fraud squad and Commercial Affairs division of the Justice Department.

On the receiving end are fishermen who fear they may not be able to get settlement on claims that might force them out of business, aircraft owners and the go-betweens in both the legal and insurance broking business.

In just eight cases that NBR has so far been able to track down more than \$250,000 in unpaid claims is outstanding. And in one pending action against a broker the claim could be for at least \$100,000.

But, National Business Review understands that cover on something like 200 aircraft and 100 boats could be involved running to a possible premium income and insurance value of many millions of dollars.

Parties holding chattel securities over the wrecked craft may also stand to lose their investments if the insurance agreements involved collapse.

The New Zealand Insurance Council and the Corporation of Insurance Brokers are worried about the effects of a back-lash on the entire industry if these claims are not paid.

At the centre of the controversy is an Auckland-based insurance broking business, R Tether (Insurance) Ltd.

And in the distance, a Hong Kong-registered company, Commodore General Insurance Company Limited, and its connected London-based Commodore Reinsurance (Management) Company.



AIRCRAFT CRASH ... Insurance complexities.

Like the stock broker and the big stakes professional gambler, the insurance broker must be believed when he says: "my word is my word". The bulk of the insurance broking business is carried on by telephone.

The broker calls an underwriter and arranges cover. The agreement between the broker and the insurer can be sealed this way: a cover note is then issued giving the name of the insured party, the item insured, the sum insured, the name of the underwriter and the life of the policy.

Eventually a policy is issued. This can take 18 months. But the party is insured before the cover note is issued if a deal is struck ... and long before the policy is issued.

The principal of the Auckland broking firm, Russell Tether, initially claimed his company had a binding agreement from Commodore. This would mean that within certain guidelines, the broker could write policies naming Commodore as the underwriter without referring to the underwriter for specific agreement in every case.

Just how many policies Tether issued through Commodore is not clear, as cover notes sometimes refer to the risk being placed with several companies.

Also not clear is whether the delays in meeting claims lie with R Tether (Insurance) Ltd or the Commodore group.

R Tether (Insurance) Ltd was founded about five years ago, and gained a large slice of the fishing and aviation business in New Zealand by offering very competitive premiums. Until this year claim payments were in order, if a little late.

James Howey, who runs Commodore's London office, was formerly managing director of Saltergate Insurance in Australia.

In May 1978 the Australian Financial Review reported that Saltergate's liquidators were claiming more than \$400,000 from Howey. The claim is based on

reinsurance contracts in which Saltergate met liabilities. The contracts, the Review reported, were assigned to Saltergate from a Hong Kong company which Howey owned.

Last week National Business Review rang him in London to check the agreement between his company and Tether Insurance.

Asked if R Tether (Insurance) Ltd was on Commodore's books, Howey said: "For 14 facultative (individual) insurances only". Asked if this amounted to a binding agreement which would give Tether the authority to issue cover on behalf of Commodore for some 300 aircraft and more than 100 boats Howey said: "No. Other information can be obtained from our lawyers in New Zealand".

Howey then told us he was preparing to take legal action against Tether.

Asked if he (Howey) had received money from Tether from premiums remitted from New Zealand he said: "He has only remitted premiums for those 14 covers".

In June this year, Commodore's solicitors ran an advertisement in the NZ Herald stating that "it will not accept any proposals for insurance presented to it by R Tether (Insurance) Ltd". They confirmed to NBR that they had run the ad on instructions from Howey.

Tether would not confirm with NBR that he had a "binding agreement" with Commodore. He said: "That is confidential as it involves a relationship with a client."

When we suggested that this was not the case and that the question referred only to his agency agreement Tether said: "Then it is my private business and I don't wish to discuss it."

He would not confirm whether he placed insurance with Commodore but said that by this week "the lot will become clear". Tether also suggested that the advertisement in the Herald was meaningless. "Are you sure that Commodore placed that

60 cents

Volume 9 No. 29 (Issue 346) August 8, 1979

Inside:

NEW Zealand's own butter mountain is slowly going round in Britain. John Draper backgrounds the build up. — Page 3.

Miracle cures have failed to revive the economy. Deputy Finance Minister Hugh Templeton tries the ghostly shock treatment — Page 11.

THE Government has plunged into its golden rules controlling overseas investment. Peter O'Brien explains what Jack Sharpshill and Rob Muldoon have in common — Page 12.

THE asbestos time bomb slowly ticks away as manufacturers sound the all clear. Warren Berryman examines the rival claims — Page 38.

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## EDITORIAL

SOME two years ago, Accident Compensation Commission chairman Ken Sandford declared he was not concerned about the state of the commission's finances. The ACC could dip into its reserves fund (accumulated from excesses of income); or — if the trend to more payouts and higher administration costs continued over a long period — it could ask the Government to increase the levies.

Those expressions of confidence were prompted by a National Business Review report in March 1977 that the commission was "headed for financial self-destruction unless the rules are changed or the Consolidated Fund comes to the rescue". The total number of claims was rising; the cost of settling each claim was being pushed up by inflation; and "...the longer the ACC was in existence, the longer would grow the list of claims with a long tail — those involving permanent disability, for example".

Sandford described our report as "pure nonsense." Our "allegations" were "laughable — I am astonished that such a thought could even be floated by anyone."

Last week, for the second successive year, the commission advised that insufficient funds had been collected from employers to meet the estimated on-going costs of compensation for employees. Making an allowance for the future effects of inflation, based on advice from the Government Actuary, the commission estimated there would be a shortfall in the balance of the earners' fund of about \$16 million this year. That is on top of the estimated 1978 shortfall of \$40 million.

You don't have to be a financial wizard to figure that expenditure in excess of income spells trouble — unless something turns up.

The news would not be welcomed by employers, whose levies provided \$88.5 million of the ACC's total income of \$142 million.

The latest shortfall signals a need for further change. The levies may be increased yet again, or the scheme may be restricted in the coverage provided for sporting accidents, for example.

But increased levies are sure to be given a hostile reception. It was only in May that Sandford was obliged to leap to the defence of the scheme in the face of widespread criticism of a 7 per cent levy increase. New Zealand employers were still getting accident compensation on the cheap, he said then.

His explanation for the increase? Well, reserves had dropped below the level needed to pay for the future costs of today's accidents and the cost of non-work accidents had been higher than estimated, he emphasised.

The accident compensation scheme completed its first five years of operations at the end of March. The Government considered it timely then to review ACC operations, and a Government committee was set up to undertake a wide look at the scheme.

Included in its study is the issue of non-work accidents — the subject of much heated criticism from employers, who resent paying ever-increasing levies for accidents which occur outside the workplace.

Another complaint of businessmen is that there has been no recognition of good safety records, and that efforts to cut accident rates have not been rewarded with refunds.

Perhaps the ACC should be operated on a pay-as-you-go basis, equating annual income with annual outgoings. All claims in one year thus would be met by the charges and levies that year. While this could cause severe fluctuations — in some years, substantial payments would mean substantial levies — the ACC would not be trapped into finding itself underfunded for future liabilities.

The accident compensation scheme was hailed as one of the most enlightened acts of social legislation in the world when it was introduced. But administrative flaws have become all too apparent and some major reforms are inevitable.

Bob Edlin.

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THE exodus of "plane people" is keeping travel agents busy. And it seems that the queue to opt out begins in at least one travel agent's office.

A colleague (who, incidentally, has been learning how to be more assertive at a Victoria University extension class) went to an agent to pay and collect her tickets for a trip to Europe.

The receptionist offered her a seat for "a few minutes", then disappeared.

The minutes turned into 10 and only two plumes of cigarette smoke curling lazily upward from behind a screen indicated that the office had not been abandoned.

On investigating, our would-be traveller found the receptionist and travel agent taking morning tea.

Could it be that someone has found the answer to slowing down the emigration drain?

POSTAL charges duly increased last week as the Minister of Finance said they would on budget night six weeks earlier.

But the news took its time to reach clerks at Wellington's Courtenay Place post office and we suspect at other offices around the country.

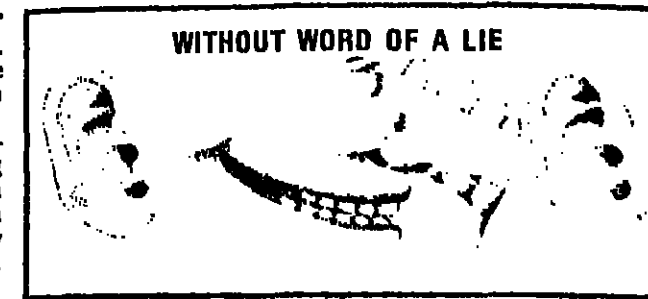
A businessman posting 150 letters a day was inquiring on July 31, the day before the rates changed, what the higher charges would be.

The clerk couldn't help. Apparently they had yet to be told.

But a pensioner next in the inevitable queue had the answer. Read the newspaper, she said. The new charges were clearly set out when the announcement was made by Postmaster Ben Couch, she said.

The businessman disagreed, quite rightly in our view, stating that a Government department should be able to communicate the information to its customers in time.

That aside, the pensioner strongly disagreed with the businessman claiming that the Government had announced



what it was doing in the newspapers and therefore we the public should know what is going on.

Rob Muldoon's recent radio and television "simulcast" to the nation was obviously the media's coup de grace as far as that pensioner was concerned.

Which leads NBR to claim to be the last surviving bastion of independence. Rob refuses to talk to us.

FINANCE houses want better protection on money lent to car dealers wanting to stock showrooms and yards.

They can claim against the Licensed Motor Vehicle Dealers fidelity fund set up to protect the public against unscrupulous members.

But proposed changes (NBR July 18) will prevent finance houses from claiming against the fund when dealers, who go broke, renege on their debentures.

Instead, the financiers will have to queue up after wage and salary earners to claim against the remaining assets of a liquidated dealer.

The Motor Vehicle Dealers Institute wants to change the rules controlling the \$250,000 fidelity fund because of the high level of payouts requiring extra levies on members.

But the Finance Houses Association claims its members are not to blame.

Secretary Keith Wood says he has been advised by the institute that association members have received only \$7406 of the \$11,986 paid out.

Claims pending totalled \$285,222 of which finance

houses accounted for 21.1 per cent. If one adds claims paid with claims pending then finance houses would account for only 17 per cent of payments made or pending on the fund," he said.

Consumers claims totalled 53 per cent. The remaining 30 per cent resulted from dealers defaulting on debts to other dealers and car assemblers.

Wood says the association accepts that members should be in no different position than had they entered into an agreement with a normal retailer where the protection of a fidelity fund does not apply.

"However, when it comes down to individual transactions involving hire purchase and the title of a vehicle we consider that a finance company has as much right to be protected from a fraudulent dealer as a consumer.

"Perhaps part of the answer lies in stricter licensing provisions to make it more difficult to obtain a licence and/or more active supervision on the operations of dealers by the institute."

HOUSING Minister Derek Quigley may have been in Papua-New Guinea but his name was on delegates' lips at the National Party conference.

Constantly his name came up in the inevitable leadership discussions.

Perhaps the most illuminating comment was an on-the-record one from a delegate in the economic discussion group.

When Energy Minister Bill Birch said of the panel he shared with Deputy Finance

Minister Hugh Tupper, Energy Undersecretary Bill Birch "You would be better proponents of an enterprise," the delegate loudly.

AT \$2000 an hour, based Harry D Schults certainly claims to be the world's highest-paid vestment consultant.

While in New Zealand earlier this year, he only Prime Minister Rob Muldoon seeking information on Harry Schults' New Zealand also gave an interview to NBR's interview.

The other day we were letter from Schults' based press aide, Sir Cooper, requesting a NBR's interview.

Schults, according to a letter-head, is presently dressed as "The One Harry D Schults, K.M.C." would appear from a stamping on his personal envelopes that he has been elevated to a high

Our curiosity was a The Concise Oxford Dictionary lists K.M.C. as Honorary Chaplain, granted by the Monarch, except that Queen.

Whitakers Almanac lists numerous K.M.C. Queen's Honorary Chaplain but no K.M.C.s.

Our sources in the High Commission in the title K.M.C. did George VI and VII's revived until the 19th Wales succeeds.

The knight's overstamp on her suggests a recent visit.

We learn from the edition of Schults' that he is a great admirer of the late Prime Minister Margaret Thatcher.

But did Maggle visit a knight in the Queen's day Honours List? seems not. Nor is the 1979 Edition of Who, which was covered Sir Harold's infamous resignation last announced as he down as British Press

The title "The Chevalier" perhaps sheds some light. Turning to the dictionary again, the Concise Oxford lists Chevalier as a "member of certain orders of knighthood and of the French Legion of Honour; ... soldier cadet of old French noblesse; ... adventurer, swindler."

The French Embassy said Chevalier was the country's most junior honorary title. It is awarded to public servants only after 20 years service or to businessmen in recognition of their services to the country for 25 years.

Reading Schults' newsletter is as entertaining as trying to trace the significance of his various titles.

It begins with a map of Japan adjacent to the New Zealand item, a mistake which Cooper assures us resulted because "our picture pasteur was suffering from temporary amnesia."

Schults says the highlight of his visit was a one-hour audience with Prime Minister Muldoon.

"He gets a withering press who claim his manner is cavalier and brusque," Schults writes.

"He was formerly Finance Minister, and his grasp of money matter is impressive."

"I presented a series of suggestions to the PM. He agreed with me on about 40 per cent, disagreed on 60 per cent and gave me pretty good reasons for differing."

Schults then writes how refreshing it sometimes is to get an inside story on situations which the press and public often get wrong.

"Most diabolical of New Zealand's problems are: Firstly, unions have New Zealand by the throat. The closed shop limits progress. Marxist unionists are flown in from the United Kingdom and raise havoc. Secondly, New Zealand farmers are the most efficient in the world, but are prevented from selling into free markets by price controls and quotas, especially in Europe."

After praising the efficiency of farmers a little more and pointing out that the trade restrictions have resulted in a slide from fourth to 20th position in world living standards league, Schults makes a couple of comparisons.

"All this has resulted in New Zealand exporting people instead of butter, rather like Ireland did after the potato failure — 30,000 a year are leaving when the place needs more, not fewer, people. It's like Rhodesia in several respects — beautiful, lush rich

land, capable, losing good people, both the result of world hypocrisy and double standards."

Readers of the Harry Schults newsletter, for those who are interested in his razor-sharp observations, pay US\$258 a year for the Swiss publication which is distributed every three weeks.

RADIO Pacific boss Gordon Dryden was more than his usual ebullient self last week.

He had just received a preliminary copy of the latest McNair survey on Auckland radio audiences. And Radio Pacific was at long last on the ratings map with an audience sector of its own — the golden oldies and housewives.

This means Radio Pacific's admen will no longer be selling a pig in a poke to the ad agencies which so far have had little evidence on just how many listeners Radio Pacific is reaching or what sector of the buying public they represented.

Radio Pacific's directors are delighted at the survey results.

On a seven-day basis for Auckland's 10 years and older audience (10 plus) Radio Pacific's share was 10.1 per cent. 12B had 30.6, Hauraki, 21.3, and Radio 1 was down to 6.3 per cent.

Radio Pacific's real strength was in the older age groups and housewives. Radio Pacific and Hauraki were neck and neck for the housewife listener — 22 versus 23 per cent.

In the 55-plus age group (Monday to Friday day time), Radio Pacific had 19.6 per cent.

The ostensible casualty in this survey was Radio 1, which failed to show more than 8 per cent audience share in any age group.

The survey appears to have caught Radio 1 on the hop. Managing director Geoff Mason said Radio 1 was changing its format to take on a more contemporary sound.

Melbourne-based Rhett Walker and Associates, programming consultants, have been working on a new format for two months.

Mason said the complete changeover would take another three to four months.

Mason would not go into specifics, but it seems that Radio 1 will aim for the younger audience, leaving talkback — and the older audience it attracts — to Dryden.

Mason did reflect on Dryden's staff, and the fact that it had the look of a Radio 1 1974 staff photo about it.

## Captive locals subsidise jet-set



TOURISM

by WARREN Berryman  
WHEN Air New Zealand and NAC were merged, the public was told the move would mean savings of \$10 million. Any suggestion that the local captive consumer would have to subsidise Air New Zealand's international operations with high domestic fares was hotly denied by Air New Zealand spokesmen.

The decision to merge was made behind closed doors and Transport Minister Colin McClean declined to release the report on the proposed merger.

Its confidential information might aid Air New Zealand's competitors, he said.

Now it is clear that Air New Zealand's international profits are falling rapidly.

Air New Zealand has to compete on the international side.

On the domestic side, Air New Zealand (formerly NAC) has a virtual monopoly. And it is apparent that domestic passengers, many of them commuting businessmen, are subsidising losses on Air New Zealand's international operations.

Chairman Bill Mace said profits on the domestic services were greater than for international operations.

According to Mace, total passenger traffic increased by 15.2 per cent on all services.

Bolled down, that is an increase of 3.0 per cent for domestic traffic and 13.7 per cent for international traffic.

But domestic fares have gone up to increase the yield.

Domestic fares went up a further 10 per cent as an "interim measure" announced two weeks ago. Further domestic fare rises are predicted.

But the domestic travel buyer can't protest by going next door to a competing airline.

Air New Zealand's domestic and international routes should be profitable, if judged on the same basis as other airlines.

Domestic load factors were 71.3 per cent and international load factors 69.2 per cent, according to Mace.

Such load factors would be rated "good" at the very least by other airlines.

So it seems that Air New Zealand flourishes where it enjoys a monopoly and withers where it faces real competition. Why?

The international aviation magazine Flight, does a yearly survey of world airlines,

comparing their efficiency on various parameters.

Air New Zealand is not bottom of the list in the efficiency stakes. But according to Flight's figures, Air New Zealand's 8744 employees (one in 150 of the work force) might have something to do with its costs versus overseas operators.

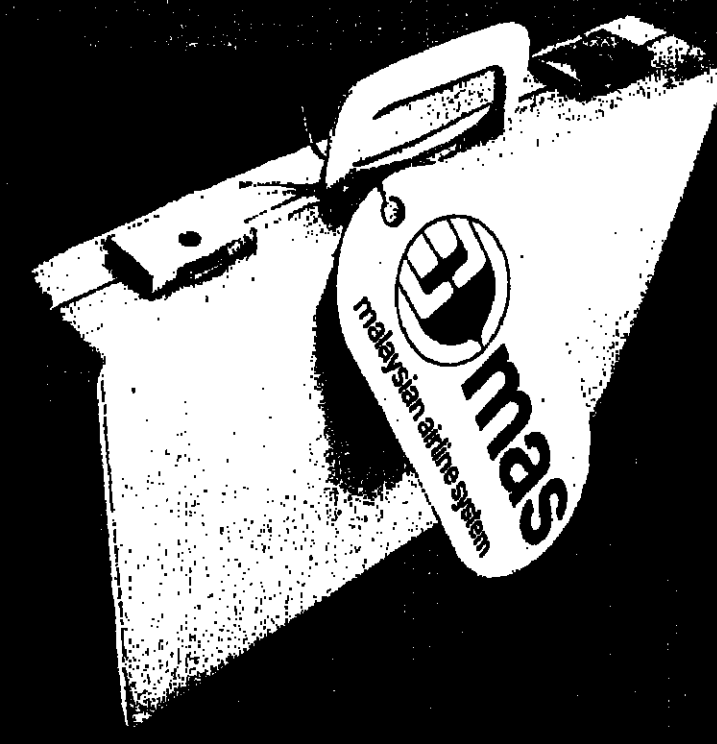
But Air New Zealand apparently is justified in gouging the domestic traveller (and at the same time pushing up the cost of doing business here) because, according to Mace, it earned or saved \$123 million in foreign exchange in its international operations.

And next year? Well, next year Air New Zealand has the \$8.8 million loss from the DC10 grounding to make up.

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## Young incurs wrath

by Rae Mazengarb

LANDS Minister Venn Young has incurred the wrath of three national environmental groups — and may receive a rap over the knuckles from a Supreme Court judge.

Young has attempted to adjudicate on whether land in Nelson's Maitai Valley is a reserve.

By a notice in the New Zealand Gazette dated June 15, this year, the Minister declared that the land was not a "reserve".

Under section 5 of the Reserves Act, the Minister has the power to make such a declaration when there is doubt about the classification of land.

But legal proceedings had begun in May this year seeking a ruling on that very question. It's understood the lawyer representing the various environmental groups wrote to the Minister on behalf of his clients in mid-July, asking him to revoke the declaration rather than interfere with legal proceedings.

The Minister last week declined to do so.

The legal action concerns 700 hectares of land in the Maitai Valley near Nelson called Waahi Taakaro ("place of recreation").

The Nelson City Council — defendants in the court action — bought the land in 1971 in the belief that it "would provide the citizens of Nelson, now and in the future, with an unrivalled pleasure and recreation ground".

The council, in its resolution to acquire the land, listed specific intended uses for the area, but reserved the right to use it for other unspecified purposes:

- Some 40 hectares of land for recreation;
- a three kilometre stretch along the Maitai River for swimming, picnicking and fishing;
- the bushy hill areas for tramp, lookouts and as a backdrop to the city;
- extension of the existing camping area, servicing and access to the Maitai water supply pipeline.

The council admits it bought the land for those purposes, but says it bought the land also

for other purposes as permitted by the Municipal Corporations Act 1954.

The purchase was financed from the council's \$10,000 water account, the subdivision reserve account (\$35,000), and the capital improvement account (\$40,000).

When title was transferred in September 1971, the council was described as owning the land as a pleasure ground within the provisions of the Municipal Corporations Act.

But after the purchase, the council decided to plant the area in commercial forest. Local residents formed themselves into an amorphous group called Friends of the Maitai Inc to protest against this development.

The friends maintained the land should be developed in accordance with a report by a landscape architect commissioned by the council earlier.

The council rejected these representations and adopted a report from forestry consultants which highlighted commercial forestry as a strong possibility for the area.

For three years the venture was on-again-off-again.

In June 1977, the council started burning off the land, showing the extent of the forestry proposals for the first time.

But the council then found it had no power under the Municipal Corporations Act to involve itself in such commercial proposals.

In 1978, Parliament passed a local bill, the Nelson City Forestry Empowering Act, which gave the council the power to acquire land and engage in forestry and related industry.

That Act was subject to the provisions of several other Acts, including the Town and Country Planning Act 1977 and the Reserves Act 1977.

The council was acting not directly contrary to any planning of the area, but contrary to the provisions of the Reserves Act if the land was a "reserve".

The litigation initiated this year, concerns just this question.

If it is declared a "reserve", the land will have to be reclassified.

This process allows for objections. A management plan will be required also, and again the public will have the right to object.

The council insists the land is not a reserve — with the exception of certain flat areas, including an area of golf course.

Friends of the Maitai, the Royal Forest and Bird Society Inc, Native Forest Action Council and Environment Defence Society Inc initiated the proceedings. They served the documents on the council in May.

The council filed its statement of defence in June. A month later Venn Young declared the land was not a "reserve".

Just who advised him is a matter for speculation.

The lawyer representing the environmental groups is understood to have given the Minister all the information relevant to the case in his request for a revocation of the declaration.

Last week the Minister replied that he had known nothing of the court proceedings. But the Nelson City Council had requested a declaratory statement by the Minister that the land was not a "reserve" and that it be gazetted, he said.

## Mediator drags workers' house rent dispute toward a settlement

by Cathy Strong

IT HAS been four years coming — but it appears that a settlement is near for the electricity workers' dispute over house rents.

And both sides — the Public Service Association and the State Services Commission — say that the Government's Industrial mediator Walter Grills had a lot to do with it.

When he came on to the scene last month no one expected the parties to reach total agreement on anything. But the PSA and SSC came to terms on a scheme, and this week they are asking for final approval from the Government's Cabinet Committee for State Services and from the rank-and-file electricity workers.

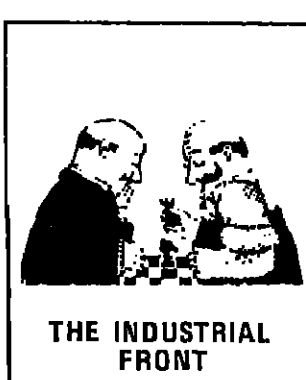
The dispute really isn't about house rents per se. It is over the electricity workers' desire to find some way to develop capital equity during their careers, as most middle-class New Zealanders are able to do when buying a family house.

But this is difficult to do when they are required to live in departmental houses. The rent is cheap, but often they are so far out in the wop-wops that there would be no resale market for the houses.

While the negotiations dragged on, the Government wanted a fair return on the 1600 houses and would increase the rents in line with increases in the capital value.

That is what sparked off the fight each year.

In 1975 the house rents were due to go up, and after some



THE INDUSTRIAL FRONT

agitation by the workers the then-Minister of State Services, Arthur Faulkner, deferred the increases until after they settled an equity purchase scheme.

The next year a National Government took power and the new Minister, Peter Gordon, put up the rents despite "promises from a previous government".

Strikes followed.

The dispute went to a special commission of inquiry which made the Government return \$80,000 of the rent increases. It also sent the parties back to negotiate the equity scheme.

(Commission chairman Nigel Taylor openly criticised the Government's broken promise. A year later he was replaced as chairman of the State Services Tribunal which resulted in a flurry of accusations that the Government didn't like some of his decisions.)

Despite the inquiry, the circular fight continued. Every time the Government wanted to increase rents, the union wanted the rents

formula and equity scheme settled first.

This year the strike threat was met by the Prime Minister's deregulation threat. The PSA agreed to go to mediation, but Muldoon wanted the mediator's decision binding.

The PSA said it would go to mediation, not arbitration, and that it would decide later if it wanted to give the mediator the all-inclusive powers of an arbitrator.

The mediation started out the same old way — the PSA demanding the latest rent increases stopped and the SSC demanding the rents unaltered.

Grills gave a one-month suspension to the rent increases. At the end of the month he would assess the progress of the talks to see if the increases should be paid or be put in moratorium for a further month or so.

Almost like a teacher bribing a slow reader with lollies.

Whatever Grills' strategy, that month is up on August 16, and it appears that at long last the workers will be getting some sort of house buying scheme to help them with capital security in retirement.

The details haven't leaked out yet, but it is a complex scheme that will allow a worker to nominally buy the house he lives in. At the end of that term he can resell it to the Electricity Department at the current rate (whether that is above or below the original rate).

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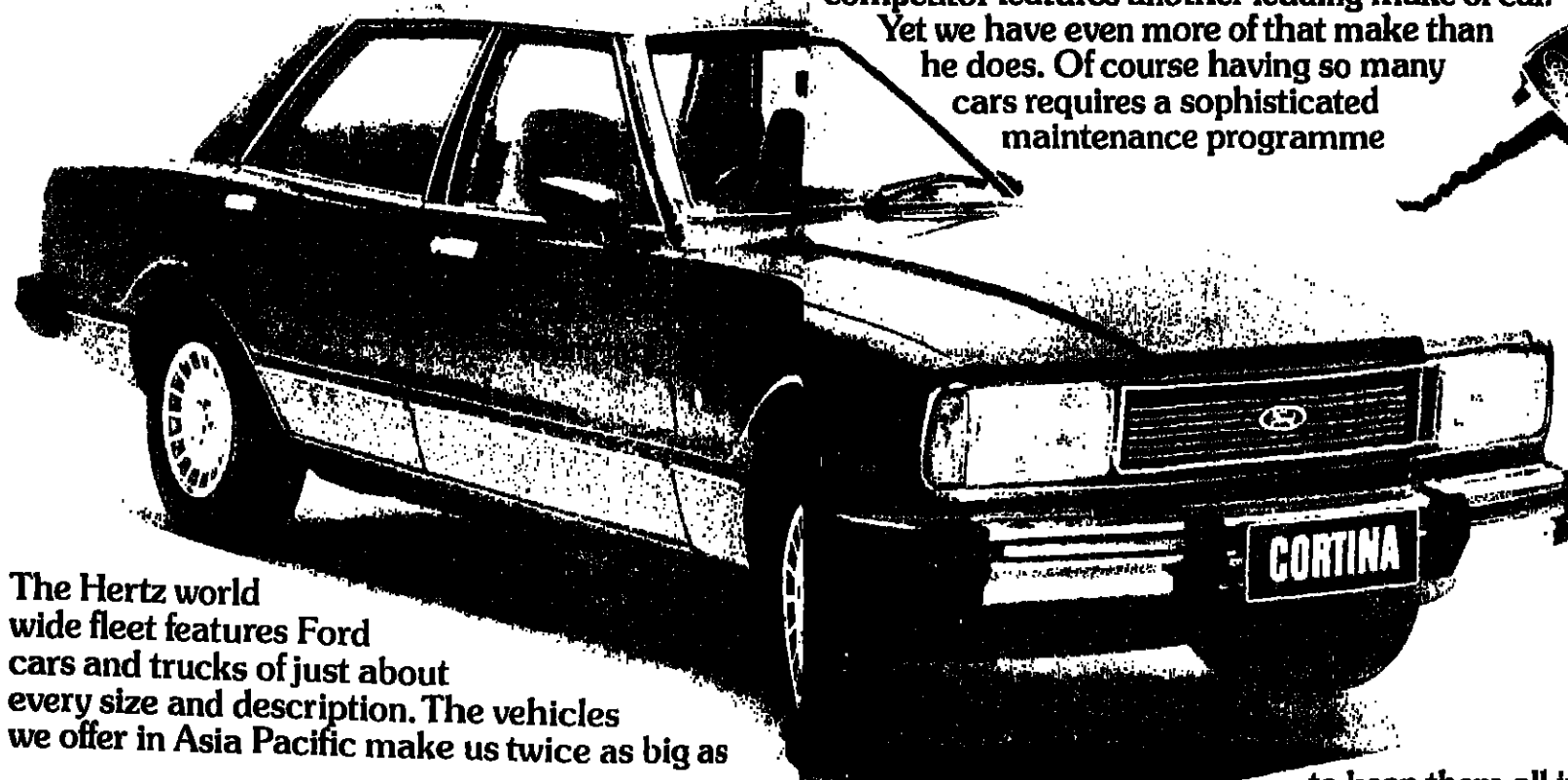
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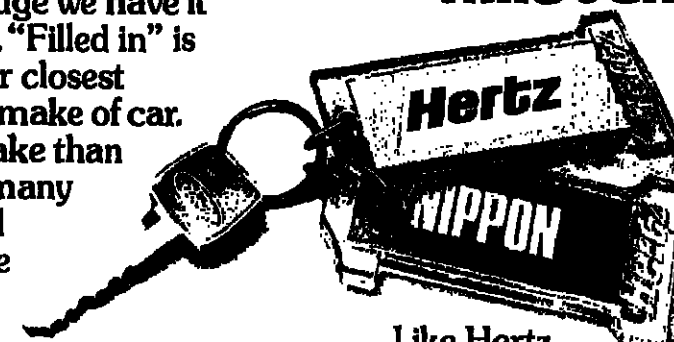
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## Templeton swaps realism for Muldoon wizardry

Economics  
Correspondent

DR Muldoon has run out of miracle cures. Even his resort to multi-media broadcasts cannot restore the patient's confidence in his treatment. But before his patients have time to consider a new regime, Muldoon's trusty deputy Hugh Templeton is quietly taking over the practice.

No longer is the patient expected to swallow cheerful diagnoses that there is health and prosperity just around the corner or a light at the end of the tunnel. Templeton's method of bringing the patient back to health is to face him with the ghastly realities of his illness.

In his recent speech to the Wellington Chamber of Commerce, Templeton forecast a grim future for the country. New Zealand may have to face the deepest recession it has seen for 35 years.

The Deputy Finance Minister explained that a wave of inflation is eating into the recovery prospects of Western nations. These nations have run out of the possibilities for increased productivity through technical change which helped them to maintain expansion in the past in spite of rising costs.

Because of this, the world is poised to enter the longest and possibly deepest recession since World War II.

If the recession comes, the impact of the world economy would have an immediate result in New Zealand and would lower growth rates straight away.

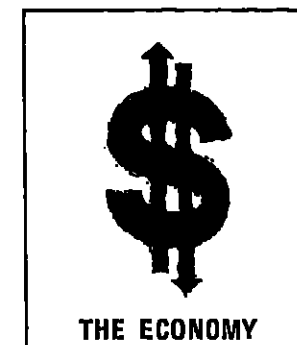
Templeton said that "in such situations commodity producers such as New Zealand have to accept lower returns while their imports continue to rise... oil costs go up and transportation costs also rise".

As a result, Templeton suggests that our balance of payments deficit could deteriorate by a minimum of \$200 million in the next year and will probably be much more.

A close look at Templeton's speech shows that he practices the same sort of medicine as his leader. Templeton does not enunciate Government policy any differently. The old question marks about where the Government's policy commitments lie remain.

Like his mentor, Templeton is all style and no content. His more realistic assessment of economic activity has not led him to suggest constructive long-term policies.

His excuse for not doing so is that "policies for radical restructuring... would have



the risk of overheating the economy and accelerating inflation".

Certainly inflation is a worry. The New Zealand Chamber of Commerce survey of business found a continued deterioration in the health of private enterprise and cited inflation as the number one villain.

But with inflation of the June quarter at 4.5 per cent and the annual rate of growth in prices on an upward trend, it appears inflation is accelerating despite the Government's wish to keep it down.



HUGH TEMPLETON... same sort of medicine.

Another 15 per cent increase in wages and salaries before the end of the year could bring the inflation rate up over its previous peak of nearly 18 per cent.

To use high rates of inflation as an excuse for not taking the hard decisions about the economy now seems to be throwing the baby out with the bathwater.

Templeton deserves a pat on the back for his willingness to be candid with the public, but his realistic attitude could have a depressing effect on the economy.

To a certain extent, economic behaviour is guided by expectations. When there is a feeling of optimism in the air, firms have traditionally risked new investment. Because of pessimistic economic forecasts, it has been some time since there has been much inclination for new investment.

Despite a short period of economic buoyancy earlier this year, business confidence

is still low. And according to the New Zealand Institute of Economic Research, businessmen are clearly pessimistic about the future.

Almost half of the respondents to the June quarter Survey of Business Opinion expect general business conditions to deteriorate during the next six months.

The economic climate created by the Budget was supposed to make everything all right. Now, according to Templeton, "essentially what New Zealand needs is an acceleration in investment and productivity in the export sector..."

He thinks this will offset any of the other difficulties the economy is likely to experience.

Budget measures will help exporters through export incentives and a freer exchange rate system which should minimise the higher costs of imported raw materials. Manufacturers have certainly shown general satisfaction with the policies aimed at exporting and this may result in some new investment.

But if the domestic situation deteriorates, exporting may not seem like such a good idea. Exporters will find it difficult to compete overseas if there is a massive jump in internal costs.

Of course, as Templeton cries, "the Government has made clear again and again the need for restraint in this wage round".

Templeton correctly argues that if we do not control wage-push inflation we will kill the investment we need to create more jobs and more wealth.

Restraint in the wage round means finding ways of keeping the growth in wages down.

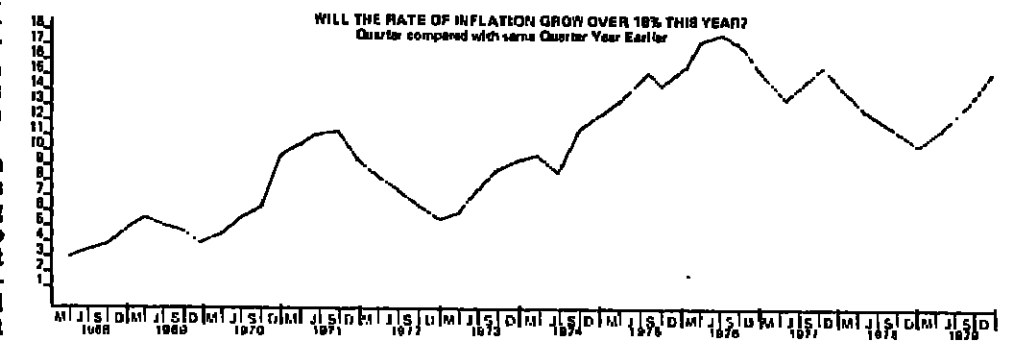
The Government seems to think this can be brought about by direct controls.

Muldoon has not yet gone as far as reimposing wage controls by legislation, but he has gone within a hair's breadth of doing so. And he has made it clear that he will resort to regulation if wage increases in the "free bargaining" wage round go beyond 10 per cent.

Even with Government direct action to control wages, they are likely to increase by at least 15 per cent next year. This sort of action may have the appearance of doing something about wage costs, but the results of this action should speak for themselves.

An addition of 15 per cent on costs is not going to make life easy for exporters or for any business firm for that matter.

New Zealanders traditionally have looked to their political leaders for



guidance in economic affairs. But more and more it seems that our leaders are not capable of stepping outside politics for long enough to get an effective long-term view of the economy and to take the sometimes unpopular decisions necessary to restore economic progress.

National Party president George Chapman blames the 12-year consensus reign of former National Prime Minister Sir Keith Holyoake for many of New Zealand's present problems.

It is difficult to disassociate the present Prime Minister from this blame since he was Minister of Finance during the latter period of Holyoake's Government.

And an analysis of economic trends shows that after Muldoon became Minister of Finance, the economy went from 10 years of sustained prosperity to high inflation.

high unemployment and high levels of Government spending.

While the "she'll be right" attitude of the 1960s made the economy particularly vulnerable to the economic reversal brought about by the fluctuating international economic conditions in the 1970s, the politically expedient economic policy of the 1970s has not helped conditions either.

Perhaps the National Government could dwell less on politics up to the 1981 election.

They may be beating a dead horse, anyway. An overall two-party swing of only 0.9 per cent will push the National Party out of office in the next general election, according to analysis released by Canterbury University political scientists Alan McRobb and Nigel Roberts. And a 1 per cent

swing to National would result in the capture of only one seat.

With those future political prospects, the National Party is in a good position to treat the 1981 election as beyond its control and concentrate its energies on bringing about the economic miracle they promised instead.

At no time since it took office in 1975 has this Government shown the initiative to practise what it has preached about the economy.

Templeton's realism presents a refreshing change from Dr Muldoon's wizardry for those on the lunch-time economic address circuit. But showing an appreciation for the economic problems facing the country does not compensate for the tentativeness and timidity of the Government's longer term economic policy.



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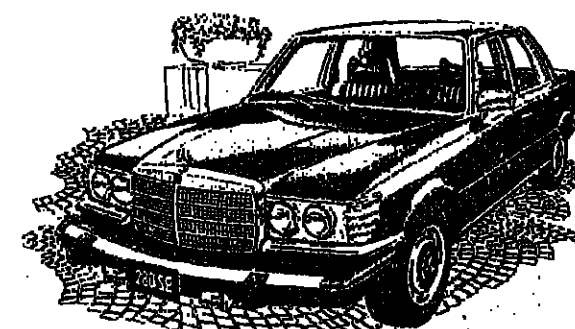
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# NBR BUSINESS WEEK

## PM recycles second-hand investment criteria

by Peter V O'Brien

THE Government's "new" criteria for assessing overseas investment applications are 16 years old.

When Finance Minister Rob Muldoon announced the changed policy on overseas investment the other day he or his advisers made no reference to the report Criteria for Industrial Development which the Tariff and Development Board sent to the then Industries and Commerce Minister, Jack Marshall, in June, 1963.

That report referred particularly to local industrial investment. But the board included a section on overseas investment.

In a letter to the board (included in the report),

Marshall said: "the Government . . . agrees that, in determining the nature and character of industries that should be encouraged in New Zealand, regard should be paid to all the criteria enumerated in the report . . . The broad objective of the Government is to stimulate industrial development in such a way that the greatest productivity and the most economic use of our resources of labour, capital, and material are achieved. In applying the criteria to the establishment and protection of units of industry these goals must be kept in mind."

Muldoon listed the new criteria last week. One was "new exports markets or better market access".

In 1963 the board recommended "the contribution the industry makes to developing export markets or otherwise earning overseas exchange". Muldoon added "the extent to which the proposal was likely to make a net positive contribution to the balance of payments".

The board covered that with "the extent to which the industry can, by import substitution, save the expenditure of overseas funds, both immediately and in the long term".

Muldoon is concerned about "the creation of new job opportunities" and "the introduction of new technology, managerial or technical skills".

The board recommended

"the extent to which the industry provides employment opportunities and the best use of labour and management resources, and offers scope for the development of industrial skills".

In 1979 we are looking for "added competition for local industry, lower prices and greater efficiency".

In 1963 the Tariff and Development Board desired "the extent to which the industry is competitive as to price, quality, design, and range with imports, and is capable of meeting quantitatively the needs of the market".

Muldoon's criteria include the catchall "the promotion of New Zealand's economic growth".

The board had several recommendations to cover that point:

● The extent to which the industry aids the further development of natural resources;

● The extent to which the industry will form a basis for the development of associated industries;

● The extent to which an industry is of the optimum size, having regard to the size of both the domestic and export markets;

● The extent to which the industry makes the greatest economic utilisation of capital equipment;

● The extent to which the industry makes a contribution to the national security in that it has strategic importance or is able to provide goods essential for the people and the maintenance of the economy in the event of serious adverse external circumstances arising.

The board also made recommendations on direct overseas investment:

● The extent to which the industry requires the participation of overseas capital either as equity capital or by way of loans (the board said an inflow of overseas capital was desirable where it is accompanied by technical knowledge, use of patents, and introduction of new skills, or where New Zealand capital is not readily available. It also wanted consideration given to the participation of New Zealanders in equity capital).

● The extent to which the industry has access to overseas research, design, techniques, and industrial skills, and their usefulness in making a contribution to New Zealand industrial development.

Muldoon and the board agreed on another particular criterion. The former wants to see the potential impact on the environment (not so important in 1963) and on regional development.

The board recommended as a criterion "the extent to which the industry makes a contribution to regional development".

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SIR JOHN MARSHALL  
policy lives on.

If the latest criteria "new", what has been doing since 1963?

Some of the Government's present senior advisers industrial development were young lads in that and may be forgiven thinking that their ideas are modern, rather than recycling of a 16-year-old document which was 286 pages of written text and a 397-page transcript cross-examination of the inquiry.

Twenty-six parties before the board, 63 would you believe? Secretary to the Governor of the Reserve Bank and Secretary for Labour and Commerce.

The 1979 administration have one thing in their minds. While their schemes are many, they are consistent with recommendations of the 1963 board and find acceptance with the Government.

It may be of some historical significance to note that the span of 16 years Jack Marshall and Rob Muldoon adopted the same policy for the country's industrial development.

Those policies are remarkably similar to guidelines laid down by the Labour Government when it set up the non-productive system of any government action on the industrial development.

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## Analysing annual accounts

by Peter V O'Brien

THE Goodman Group Ltd (formerly A S Paterson & Co Ltd) is big business.

The annual report shows sales of \$72.6 million in 1978-79, compared with \$31 million in the previous year. Shareholders funds are \$23 million (\$13.4 million), and total assets were valued at \$50.9 million (\$24.5 million) at balance date.

The growth has come through acquisitions of other large companies. Last year Goodman took over Bonds (NZ) Ltd, and lifted its holding in AB Consolidated Ltd to 90 per cent of the capital.

Comparisons between the 1978 and 1979 reports are difficult, because the new subsidiaries distort the movements in balance sheet

and profit and loss account items.

The 1980 report will allow an assessment of the movements, assuming the company sticks with what it has.

The report is well presented, with a shift towards the magazine-style pioneered by Challenge Corporation. This is a sensible development for a company with subsidiaries in textiles and hosiery (Bonds), biscuits (Aulsebrook's), breads and pastry (NZ Bakeries), and 12 manufacturing units from Palmerston North to Oamaru, flour (NZ Flourmills), with two subsidiary companies and a 50 per cent interest in Zealandia Milling Co. and Aulsebrook's Allied Mills), and farming supplies (Hammond Irving & Brownlee).

Goodman would assist shareholders and other readers if it adopted divisional accounting. The report gives sales figures for Bonds (\$25 million), and some general statistics, or a breakdown of the sales mix, for other subsidiaries.

It is impossible to work out the particular investment in the different sections, and there is no information on the return on investment by main subsidiaries.

There is considerable difference between the activities of Bonds and NZ Flourmills, for example. The latter's sales are under the control of the Wheat Board, which sets quotas by region, while the former earns its return through open competition with other textile companies.

The baking activities involve Goodman in comparatively low priced and rapid turnover products, and therefore have different financial considerations from other group interests.

Global group figures

disguise the relative performance of the sections, but they are the only statistics available for examination.

In a global sense, Goodman had a good year. The return on average shareholders funds, including preference capital, was 18 per cent, compared with 15 per cent in the previous year, and well above the previous high of 15.9 per cent over the last five years.

Return on average ordinary shareholders funds came out at 19.3 per cent, as against 15 per cent in 1978, while average earnings per \$1 ordinary share were \$2.1 cents, compared with 41.1 cents in 1978.

The changing group structure altered some of these returns, but the relationship of pre-tax profit to sales which removes the problem of changing tax liabilities (concessions) is a useful ongoing basis of comparison. This figure shows whether the company is receiving an appropriate return from its diversification.

The percentage relationship between pre-tax profit and sales since 1975 is shown in the table.

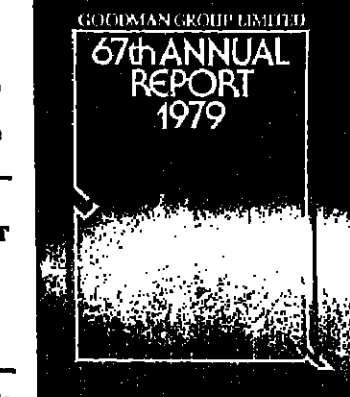
YEAR	RETURN PER CENT
1975	5.91
1976	6.37
1977	8.22
1978	7.89
1979	7.40

The inclusion of AB Consolidated in the latest accounts may explain the deterioration in the figure for 1979. Reorganisation of that subsidiary could give a better return in the current year, while the trading outlook may also lift the overall result in 1979-80.

The company is receiving a reasonable cash flow relative to total assets after allowance for asset revaluation. Cash flow was 10.7 per cent of total assets at March 31, 1979, compared with 10.9 per cent in the previous year. The slight fall is insignificant, allowing for the \$2,000,000 of asset revaluations last year.

Chairman Peter Shirliffe says approximately 12.5 per cent of group assets are doing little better than "break even", so there is room for improvement in the relationship.

The company is receiving various taxation benefits, from exports and other activities, and it could include a breakdown of the amounts gained from the different provisions of tax law. This information is desirable for shareholders, and is a common feature of accounts of public companies.



## Meeting dates clash via random selection

by Peter V O'Brien

THE present random selection of annual meeting dates is unsatisfactory. Companies choose a date and time usually based on the availability of the annual report, and access to meeting rooms. They usually make the meeting coincide with the monthly gathering of the directors.

The result is that meetings clash. The problem is particularly noticeable in Wellington and Auckland.

Two years ago Ceramco came to Wellington for the annual meeting and clashed with Steel and Tube, although there were fewer than 10 metres between the two venues.

This year New Zealand United Corporation clashed with McKenzies when

meetings were held at the same time at opposite ends of the city.

On August 30, CPD, Odins and British Office Supplies all hold meetings in Wellington at about the same time. There may be common shareholders in these companies.

The Stock Exchange Association could provide a possible solution, subject to the dates set down for monthly board meetings.

A "register" of annual meetings could be set up at local exchanges, where companies can see if the proposed date and time clashes with another.

Apart from the assistance to shareholders, this writer must confess to a vested interest. It is difficult to be in three different places at the same time.

## Key indicators

	Current Period	Previous Year	Per Cent change
Consumers Price Index - all groups base Dec 1977 equal 1000	June 78 Qtr 1177	1977 1167	+12.60
Building Permits issued	Feb 78 1124	1977 1124	+0.9
Official Overseas Reserves	May 78 \$102.1m	1977 \$102.1m	+1.2
Registered Unemployed - incl those on special work schemes	May 78 11043	1977 11043	+1.3
NZIC Share Price Index	June 78 30318	1977 30318	+18.0
Reserve Bank Share Price Index	August 2, 78 34137	1977 34137	+1.0
	August 1, 78 1455	1977 1455	+1.0

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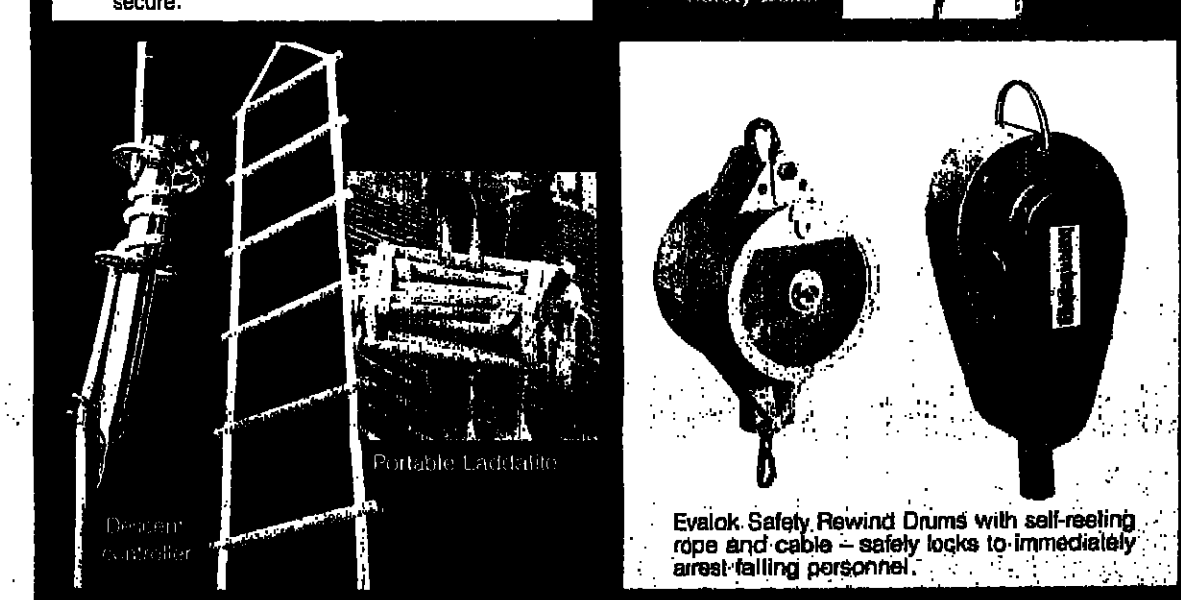
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# Governor spells out exchange rate procedure

by Peter V O'Brien

**THE** new procedure for setting the value of the New Zealand dollar in relation to other currencies is a substantial shift in economic policy, and should benefit export industries.

Reserve Bank governor Ray White detailed the system at a meeting of the Institute of Directors' Auckland branch on July 25. (The policy was outlined in the Budget, but it took five weeks before a definitive statement was available. The statement came from the central bank, rather than Finance Minister Muldoon, which may be a sign of something).

White told the directors that New Zealand has previously lost the benefits of devaluation because local production costs rose faster than overseas prices. By relating the exchange rate to movements in New Zealand production costs, relative to those in our major trading partners, "the intention is that this should not happen again".

White said the Reserve Bank and Treasury would, at quarterly intervals, make an assessment of likely changes in production costs for the year ahead. The Consumer Price Index will not be used for this purpose.

The most recent trends in production costs, forecasts of other aspects of the economy, and 'known future events' will be used as guides. Assessment of trends in production costs may be based on the General Price Index Statist by the Department of Statistics since the end of 1977, although White did not spell out the technicalities. That index (examined regularly in NBR) compares the movements in input and output costs over a range of industry groups, from a 1977 base of 1000.

Apart from its usefulness in providing a comparison as between industries, the index allows a calculation of likely future prices for some services, particularly those in the public sector. The communications sector is an example. The input costs of that group rose steadily throughout 1978, while the

output figures were static. There comes a point where the inputs move ahead of, or erode, the prices received for the "output."

The Post Office is the major force in the communications group, and therefore the recent lift in postal and telecommunications charges could be anticipated by reference to the index.

Officials will also assess the likely rates of inflation in the countries with which we conduct most of our trade. "These rates will be trade weighted to arrive at a composite figure for the rate of inflation likely to be experienced by our trading partners", White said. The difference between this figure and the rate of increase in domestic costs will be the forecast rate of change in relative prices during the next year.

White quoted an American commentator who said that trying to forecast economic conditions a year out is "like trying to put sox (sic) on an octopus". The bank therefore accepts that its forecasts will be exactly right "only by accident."

The new system has the advantage of relating our dollar to an international trading pattern based on production costs and inflation rates overseas, rather than a general average of other currencies in a trade weighted basket". International fluctuations have made the New Zealand dollar overvalued against particular currencies in the past, which in turn affected the competitiveness of exports if industry's production costs went

Two of White's general comments have wider implications for the internal economy. "I believe that the incomes of sheep and beef farmers in the year ahead will be above the level usually regarded as being sufficient to generate more than a maintenance level of investment in stock unit". Coupled with other policies toward farming, this statement is a reflection that Challenge Corporation chairman, Ron Trotter, recently referred to as a bottom being put in the

bucket". It also has implications for the Government's tax take, when farmers make their contribution to the nation's moneybag in 1980 and 1981.

White then said "from talks I have had with the chief executives of many companies involved in exporting, I also believe that exporting is, generally speaking, the most profitable area of manufacturing at the present time. It seems to me that the initial objective of adequate profitability has been

# Bing Har

## in subst

**HEAVY** trading in Bing Harris shares was a feature of the sharemarket in June and July. The company's shares were changing hands in substantial parcels, including sales in the 20,000 to 30,000 range, and between 30,000 and 40,000

achieved." The new exchange system should ensure that profitability is maintained rather than eroded by rapid rises in internal production costs, which were the usual result of earlier substantial devaluations.

Overseas inflation rates may be the key area for the im-

mediate future. The United States is supposed to be moving into another recession,

with a rising rate of inflation, and inflation rates appear to be moving up throughout the OECD countries.

If inflation overseas went ahead of movements in our production costs, New Zealand exporters would benefit again. But past experience shows that we pick up a proportion of that inflation after a time lag—the lag being related to our place at the end of the international economic daisy chain.

White pointed out that “smoother changes to the value of the New Zealand

## Bing Harris capital changes hands in substantial parcel loads

**HEAVY** trading in Bing Harris shares was a feature of the sharemarket in June and July. The company's shares were changing hands in substantial parcels, including sales in the 20,000 to 30,000 range, and between 30,000 and 40,000

While it is clear that someone was moving out of the stock, it is equally clear that someone else was moving in. So what is the attraction of a clothing and textile group, which recently entered a joint venture with a Korean company in squid fishing?

It is certainly not current profitability. Bing Harris earned \$348,000 in the year to December 19, 1978, on sales of \$34.2 million, compared with \$870,000 on sales of \$33.5 million in the previous year. The present dividend yield is 7.4 per cent from the 12.5 per cent (6.25 cents) paid in respect of 1977-78. Profit failed to cover the payment by a small margin, but the effective yield is higher than 7.4 per cent, because Bing Harris has paid dividends from capital reserves, which are tax free in shareholders hands.

Net asset backing was \$2.43 at the last balance date, compared with a market price of 84 cents last week. Buying shares in a company with such a margin between price and asset backing has two advantages.

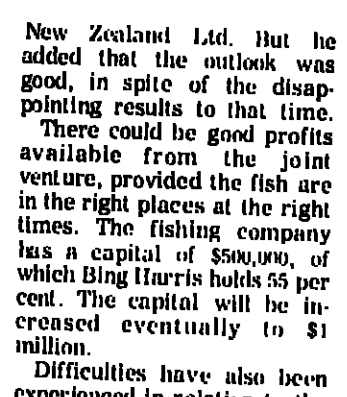
The financial strength disclosed by the asset backing

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**INVESTOR INSIGHT**



requirements of the Ministry of Agriculture and Fisheries, but problems with bureaucrats are a fact of life when trying to do business in Moscow.

The company has a policy of moving out of low profit activities into businesses which give a higher return, particularly those which are export oriented. The improvement in the cash position from sales of surplus assets, plus the overall financial strength, should allow that success to be conducted smoothly, although it will take time to make the necessary changes.

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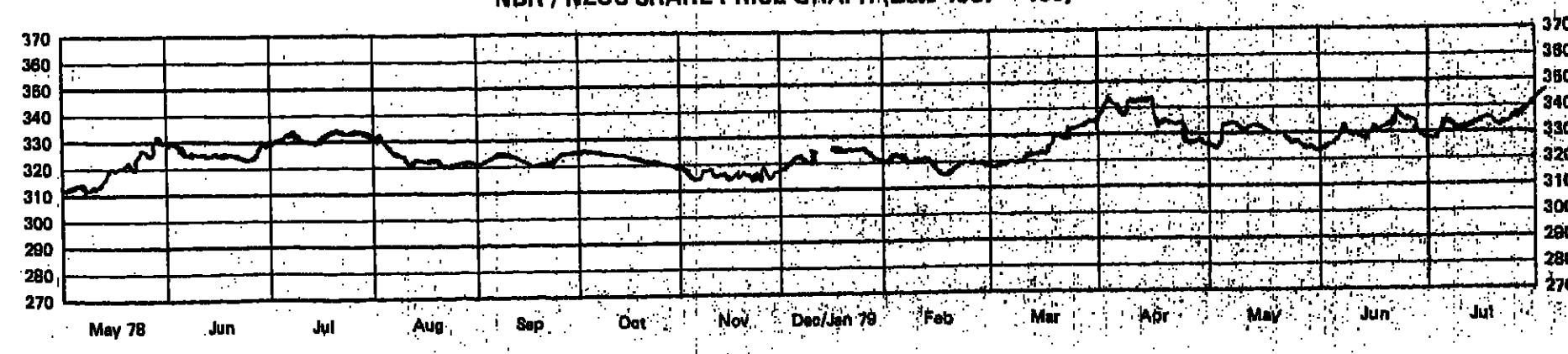
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# ABC considers steaming conference into con

by Warren Berryman  
ABC Containerline, the Belgian rate-cutting newcomer to New Zealand shipping, is considering legal action against the conference that has barred it from the wool trade.

ABC New Zealand line manager Charles Fawcett said he was awaiting instructions from ABC's owner, Tavi Rosenfeld, before bringing a case before the American Federal Maritime Commission.

The American FMC has rules against monopolies, price fixing, cartelling, and the sort of restrictive trade practices enforced by the New Zealand Wool Board.

The FMC to some degree can encroach on New Zealand sovereignty by laying down rules on those shipping lines that trade to and from American ports.

ABC might also consider action against the conference by going to the Commerce Commission.

A previous action was taken

by Ace Shipping against the Wool Board and the shipping conference serving the New Zealand-USA trade.

Ace was carrying New Zealand wool to the United States at rates 10 per cent less than those charged by the conference.

But the Wool Board prohibited all wool exporters from using Ace, requiring that they pay the higher rates.

The Wool Board's edict against Ace came after it had used Ace's rate-cutting presence in this market first to forestall a freight increase from the conference, then to force the conference to reduce its rates in line with those offered by Ace.

ABC found itself in a "Catch 22" situation when dealing with the Wool Board. ABC offered wool exporters freight rates of more than 15 per cent below conference rates on the European-United Kingdom trade.

But the Wool Board negotiated another exclusive agreement with the conference

which bars wool exporters from using this cheap service. ABC couldn't carry wool on this trade because it was not a member of the conference.

On the New Zealand-United States (East Coast and Gulf) trade, ABC joined the conference serving this trade.

But the board won't let wool exporters use ABC's ships.

The board's reasons for barring ABC on this trade appear to be twofold.

First they say that because most of the shipping on this route is refrigerated cargo the general cargo side is already overtonnaged and giving ABC a slice of the cake would reduce the other carrier's profits.

Second, the board argues that because ABC was charging no less than the conference on this route there was no advantage in giving them cargo.

Thus ABC is barred from the European and United Kingdom wool trade because it

doesn't belong to the conference.

On the American trade, ABC is barred because it is a member of the conference serving that trade, and as a member has to charge rates fixed by the conference.

The Americans are not alone in desiring a greater degree of free enterprise competition in shipping.

As North Atlantic shipping conferences are being investigated by the United States Justice Department for

malpractices. The shipping experts agree a crackdown on these conferences is long overdue. (These agreements penalize payments, and retrospective, if a shipper is a non-conference shipper.)

But Tony Haas, managing director of the Asia Pacific Research Unit, claims the Australians have little experience or skill in island agriculture or small scale manufacturing.

"Those skills can be sold to the Australians," he said. "Also bankers, transport operators and accountants, among others, who had business in the South Pacific, had a skill to sell, he said."

By becoming the marriage broker, New Zealand companies could strengthen their position both in the eyes of the islanders and the Australians. "New Zealand is at a point of choice," Haas said.

"Either the firms already in the area can do nothing and let the Australians compete, as they surely will, or New Zealanders can take a unique approach by locking themselves into ventures."

APRU has identified four main areas which it maintains are ripe for development: Food processing and fresh fruit (especially mangoes, which could become to Fiji what the Chinese gooseberry has become to New Zealand); fishing ventures, (especially those based on Western

Samoa); furniture (using coconut timber, Fiji pine, both a New Zealand technical expertise, and other intensive light manufacturing industry).

On a recent visit to Australia, Haas says he was interested in a 100 firms may be trading in the Pacific.

And in doing so, discovered immediate opportunities for some of the firms. "There is a potential mango market in Australia as long as the fruit is properly handled. But New Zealanders cannot be said. But aware of growing."

APRU has organized a seminar in New Zealand to discuss the South Pacific later this year. Haas admits New Zealanders have not always been successful in the Pacific, but he says: "They have failed might more to contribute to who have succeeded in the Pacific, he said."

But he says: "They have failed might more to contribute to who have succeeded in the Pacific, he said."

But he says: "They have failed might more to contribute to who have succeeded in the Pacific, he said."

But he says: "They have failed might more to contribute to who have succeeded in the Pacific, he said."

## At last. Clear concise ideas about future of N.Z. agriculture.



"... one of the most important research papers ever released on New Zealand agriculture," that's how Harry Broad, author of Straight Furrow describes The Future for New Zealand Agriculture.

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# Knox tackles inflation? Continental Airlines pitches for larger share of pacific traffic

by Warren Berryman

BRYAN Knox, past owner of the Kelmec Group, is back in New Zealand with another scheme to bring low interest foreign money to this country to lend it at a higher but competitive interest rate.

Knox has been talking with Treasury, the Reserve Bank, and Overseas Investment Commission about his scheme. Marac has been working on ways to overcome the exchange risk barrier.

Knox says he has access to \$200 million in Swiss francs through a New York financier. The arbitrage works like this. \$200 million in Swiss francs are borrowed at 4½ per cent on a 10 year term with right to roll over a further 10 years at the same rate.

This money is then lent to the New Zealand Government secured by 10 year Government stock with a coupon rate of 10½ per cent.

Knox said the fruits of the arbitrage, the 6 per cent margin, between borrowing and lending rates will be invested through a local company (yet to be set up) in such projects as a CNG mother station in Auckland and tourism.

To lose money on exchange

The Reserve Bank is apparently agreed to the idea in principle but is still waiting to see the colour of Knox's \$200 million.

There are at least two advantages for Government to borrow through private sources at 10½ per cent rather than direct from the Swiss at 4½ per cent.

First, the private lender takes all the exchange risk, and the Swiss franc is a hard currency. Second, by borrowing through a private lender the Government can avoid showing the foreign debt on its books.

The apparent snag in the deal is covering the exchange risk. The Reserve Bank will provide forward cover for Swiss francs, at a price of 12.8 per cent a year. Add this 12.8 to the 4½ per cent paid for the money and one is up to 17 per cent—too high to work a profitable arbitrage.

But Knox said he would cover his own exchange risks. The 6 per cent margin, Knox's profit, would, with its own interest, amount to more than \$170 million in 10 years when the \$200 million principal had to be repaid.

To lose money on exchange

risk when repaying this principal, the New Zealand dollar would have had to depreciate against the franc by 85 per cent over 10 years.

But there is also the short-term exchange risk on interest repayments periodically paid to the gnomes of Zurich. The 5 per cent devaluation announced in the budget, for example, would have cut that 5 per cent margin to 1 per cent—a rather thin and uncomfortable edge to be sitting on with the whole year to go and the New Zealand dollar weakening.

Knox said he would set 1 per cent of the interest aside each year to cover the exchange risk, betting that in 10 years the gap between the Swiss franc and New Zealand dollar would not widen by more than 10 per cent.

Knox said this sort of injection of foreign low interest money would bring down interest rates, which in turn would reduce production costs—and inflation.

CONTINENTAL Airlines is positioning itself in the United States market for long-term growth as a major carrier out of the West Coast to the Asian Pacific area.

The strategy is pitched around two major points: First, the merger with Western Airlines, which operates in and around the California area and with a route structure which could easily be merged with Continental's.

Second, the airline is waiting for the Civil Aeronautics Board to make a major route award for routes out of the United States to the North Pacific and the Far East.

Achievement of those goals plus the development of its Australian and New Zealand services will put the airline in a strong market position.

It already has a wholly owned subsidiary, Air Micronesia operating in the mid-Pacific which further extends the airline's reach.

Continental has already made Honolulu its major operating base for the South Pacific and if the merger with Western goes through, the new airline would feed from the nine major cities along the United States West Coast into Honolulu.

So far, the CAB has made no decision on whether the merger—which has already been approved by both companies—should go ahead. If it does only a Presidential veto could stop it then.

Last week the CAB allowed Pan Am's bid for National Airlines to proceed in what was generally regarded as one test case of the new deregulation policy.

The merger of Western and Continental would create a much stronger marketing force along the entire West Coast and into the hinterland as well as allowing some rationalisation in overlapping areas.

The CAB has also to make a major route award to airlines for the north Pacific and the Far East.

And although it's not made any decision yet, it has given Continental temporary operating authority from Honolulu into Singapore, Bangkok, Hong Kong and Manila.

Continental already operates to Taiwan, and its subsidiary Air Micronesia goes into Port Moresby and will shortly extend its service to Sydney.

The airline is also interested in rights in Tahiti.

Should problems over fares on the Australian and New Zealand services be ironed out over the next few years, the airline will be in a good position, first to generate large amounts of traffic from an enlarged catchment area, to take that traffic to Honolulu, and then disperse it to a variety of destinations in the Pacific.

## Premium war worries insurance commission

Melbourne Correspondent

THE Australian Insurance Commissioner has predicted that continuation of unrealistic premiums will lead to a substantial fall in underwriting results.

He told the Insurance Council of Australia in Melbourne that over recent years income from investments had been relied upon by most Australian insurers, both to expunge underwriting losses and to provide such net profit as they had been able to make.

In relation to the value of net tangible assets employed, the aggregate net profit achieved by Australian insurers had been extremely modest.

The commissioner warned that the continuance of rate-cutting in premiums by over 200 companies in a highly competitive, but relatively small market could have dire consequences for Australian policyholders if indulged in over a protracted period.

In his annual report to Federal Parliament, the commissioner expressed concern at the continued in-

crease in the forfeiture rate of life insurance. His report states that the unduly high forfeiture rate indicated inadequate control by management, rather than the effects of external influences such as inflation and changes in taxation.

He said many Australian policyholders were taking out term insurance in place of an existing life policy. He felt that some Australian insurers lost business because policyholders were not aware that similar term insurance policies were available.

In consequence when the original life insurance policy was surrendered the term insurance was written with another company. Figures released by the Australian Bureau of Statistics support the commissioner's concern over the trend in life insurance policies. The number of life insurance policies issued in November 1978 (the latest month for which figures are available) declined by 498 from the number issued in October 1978 and was nearly 3000 less than the number of life policies issued in November of 1977.

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Ask your adman.



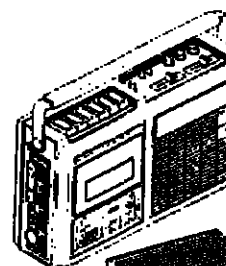
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It's an accurate digital clock. It's also a great little radio. They combine beautifully in the compact new THORN CR 1. If your mind won't unwind, set the CR 1 for half an hour or more. You'll drift off to dreamland to your favourite music. The radio switches off automatically and gently awakens you next morning at your pre-set time. Features automatic light sensor, digital read out. Mains power. Ideal for burning the midnight oil, or working erratic hours, or waking in the wee small hours, to catch the tide, a deer, a fish or a sunrise. For 8 hours or 40 winks—give the CR 1 the nod. It's from THORN—the name that means music to your ears.

means music to your ears

# THORN

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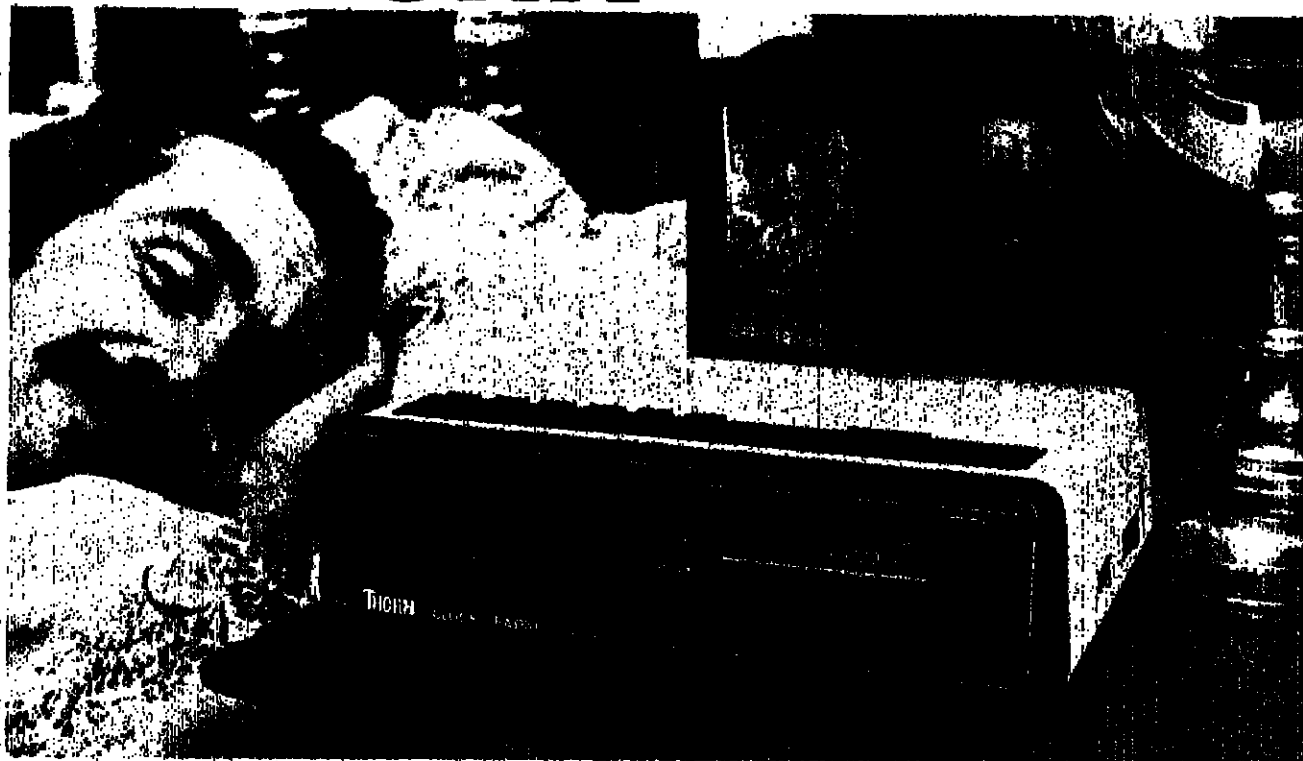
THORN 5242 CASSETTE RECORDER  
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THORN 4241 CASSETTE RECORDER  
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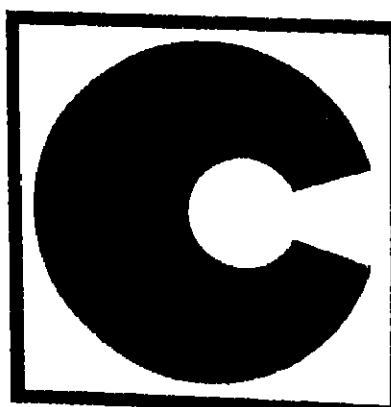
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## Glow slips from TV

If present trends continue, television's place in the advertising sun could well be threatened according to the president of the Association of New Zealand Advertisers, Colin Mortenson. He lists rising advertising costs, lack of forward planning and, currently, a rough deal to regional advertisers as factors which threaten the popularity of television as an advertising medium.

"Since 1975, the rate of increase in advertising costs has exceeded that of inflation," Mortenson told Admark.

"The real cost of reaching the same audience through two channels instead of one has more than doubled.

"This escalation has taken place during a period when the domestic economy has been

very high proportion of the total television advertising expenditure.

The restructuring of television is cause for concern with advertisers.

ANZA has expressed its fear to the BCNZ that when time is centrally sold, all sorts of controlled selling conditions or qualifications may emerge or be imposed. So far it has not received the reassurances it desires.

"We need a lot more information and we need it now," said Mortenson.

"Advertisers are marketers and even now is a little late to be finalising marketing plans for 1980. We need the specifics of the new deal. Advertising hours of advertising.

Programme information. In particular, how are rates to be structured in terms of time zones or package deals or whatever.

"We have no lead time left for next year's marketing plans. Some advertisers may have to think in terms of other media."

Mortenson sees the concentration of regional and retail advertising on TV2 as unfair treatment.

Outside of Auckland, these advertisers are reaching only a minority audience. When audience shares equate, the objection will be removed but the arbitrary action has disadvantaged the regional advertisers in the meantime at least.

ANZA is looking forward to working with other advertising organisations and with media to establish a uniform and practical code of ethics operated through a central representative body.

"New Zealand has set high standards of advertising behaviour and we want to see it kept that way through self discipline. At present we have too many independent standards and too many differing decision makers. We have to ensure an efficient system of self regulation or suffer the unpleasant alternative of regulation imposed from outside," said ANZA's president.

Mortenson described as unrealistic the statements of politicians that further advertising could bridge the gap in BCNZ's television's budget.

"Simply put," he said, "there are no more dollars for advertising. Television has to be careful that it does not price itself out of the market."

"Advertising is funding about 75 per cent of the running costs — as apart from the developmental costs — of television. We don't think that is a particularly healthy position, especially when you consider the dependence on relatively few large television advertisers to contribute a



the pick of the New Zealand Press Association's sports journalists.

Most interesting of all is the print run.

The O'Brien model Sports Digest — it started life as All-Sports Monthly in 1949, and until the INL takeover was an AD Organ publication — was selling as few as 7000 in some summer months, and making five figures without a lot to spare in the winter season, when sports interest hits its peak.

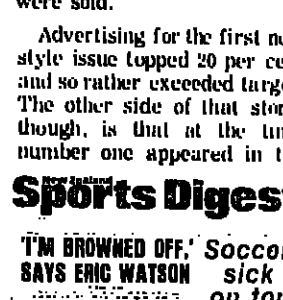
But INL ran off 35,000 of the first issue of the fortnightly.

A scheme for a large-scale promotional giveaway was not proceeded with and they had to try to sell them all. Early returns indicate that 25,000 were sold.

Advertising for the first new style issue topped 20 per cent and so rather exceeded target. The other side of that story, though, is that at the time number one appeared in the

**Sports Digest**

"I'M BROWNED OFF," Soccer says Eric Watson sick on top



stations, there was very little secured ad-wise for number two. But advertisers returned for number three.

Sports Digest has some colour on eight of its 16 pages.

Deadline, which used to be the middle of the month before publication, is now four days before it appears. Of the previous contents, only O'Brien's "Sportsview" column and the useful "Sporting Calendar" survive.

The first front-page lead had one of those headlines that rebound all the further because they are catchy. The day before the second rugby test, over Keith Quinn's byline: "France no chance".

## INL empire revamps digest

THE INL publishing empire has become enthusiastically involved in its endeavour to rejuvenate Sports Digest.

The 30-year-old monthly has become a bigger-format fortnightly and newspaper has given way to art paper.

Long serving editor Brian O'Brien has stepped aside for two part-timers, Bob Fox from the Evening Post (also INL) and Paul Cavanagh, probably

## THE TONIGHT SHOW

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## Guru pushes marketing

MAKE what you can sell rather than persisting in trying to sell what you make: American marketing guru Dr Philip Kotler told 200 sales and marketing executives who paid \$100 a head to attend his recent one day seminar in Auckland.

Kotler, is professor of marketing at Northwestern University in Illinois. His text books are required reading for commerce students at universities all over the world, including New Zealand.

Marketing, says Kotler, is the "hot" subject. And if the local sales and marketing executives were a little overwhelmed by his sophisticated marketing philosophies they could take heart from his findings back

home in the United States.

He claims that the rest of the world trails behind the United States in marketing techniques but by his yardstick even in the United States there are only a couple of dozen master marketers.

"Most of the world's companies have to move from a production mentality to a marketing mentality. Marketing is growing up very rapidly in the face of declining markets but most companies have evolved painfully to a marketing mentality from a heavy production orientation which has led some to over capacity."

"They have been disposing of what they make rather than making what they can sell."

In his text book Marketing Management: Analysis Planning and Control Kotler contrasts the product concept and the market concept.

"The product concept is a management orientation that assumes consumers will respond favourably to good products that are reasonably priced and that little company marketing effort is required to achieve satisfactory sales and profits."

The relatively new marketing concept he says "is a management orientation that holds that the key task of the organisation is to determine the needs, wants, and values of a target market and to adapt the organisation to delivering the desired satisfactions more effectively and efficiently than its competitors."

The few companies that understand marketing have reorganised themselves to reflect marketing importance.

They have created a new brand of marketing executive, they have invested more in research, he says.

"They are launching products after very thorough market research and building in their own advertising intelligence to demand more hard facts from their advertising agencies."

These are the companies who know what they are getting from their marketing dollar, says Kotler.

From what he calls his "POISE" system Kotler has developed a kit for evaluating marketing performance. And, says Kotler, many companies find they do not measure up once they apply his yardsticks.

The ingredients that make up his famous "POISE" system are: P for philosophy of meeting customer needs; O for marketing organisation; I for information; S for Strategy; E for efficiency.

The days are gone, he says, when the giants can expect to continue flourishing automatically in the face of competitive marketing sophistication.

"It is no longer a safe assumption that the large successful companies can do all things equally well. The smart ones are realising this, taking money from losing products and narrowing their lines. They are centring their markets much more precisely and doing more of what they do well."

He contends that market centring is a very important ingredient in his "make what you can sell" theory.

"Even within the United States market dynamics vary considerably from city to city."

"For the New Zealand exporter it is vital to hire a top flight market consultant in export markets. They are worth their weight in gold to any manufacturer here who understands the marketing versus product mentality."

"If your marketing homework is good the hard sell approach is not necessary. Without proper marketing homework an exporter will probably find his home grown market instincts are based on inadequate ideas."

Kotler, not surprisingly, is also expert at marketing his own expertise. Such Kotlerisms as "marketing is an optimistic science — every problem is really just a disguised opportunity", kept seminar morale high.

Before the day was out sales and marketing executives were pressing him for a return commitment.

MARKETING POWER — "making what can sell."

MARKETING POWER — "making what can sell."

MARKETING POWER — "making what can sell."

MARKETING POWER — "making what can sell."

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## Broker spells out Motopak

WE wish to make comment on the article that appeared in the July 4 issue of your newspaper under the Insurance Section as written by Mr John Sloan.

We are deeply concerned with some of the interpretations your writer has put on our product and strongly suggest corrections should be made.

We list the details as follows: (1) You are correct in stating Motopak is aimed at a defined section of the motoring public and to qualify the driver must be over the age of 30 years, use a vehicle for private use (your writer appears to be ill informed in this regard as Motopak Executive is the business vehicle policy and has been on the New Zealand market since May of this year) which is less than 8 years old at entry. With regard to age we mean all cars that are registered as new vehicles in New Zealand since the 1st January, 1971. Providing that they are no older than this at entry they may stay in the Motopak Scheme whilst they are owned by the same owner.

(2) We are aware of the comments that the then general manager of the State Insurance Office, Mr Neville Alnsworth, stated, however we

disagree with some of his statistical information. Most claims by far occur with vehicles driven by under-30 year old drivers. We certainly agree of course that claims do occur with drivers over the age of 30 and in this area will remind you that they must be claims and accident free for three years at entry otherwise they do not qualify for Motopak.

This gives us a limited market and this is why Motopak Auto Insurance was specifically designed to cater for the market. It is not intended in any way and under no circumstances to cover the entire motor vehicle insurance market available in New Zealand but it is intended to provide a more competitive premium structure with policy conditions than would normally be available to such a selected market.

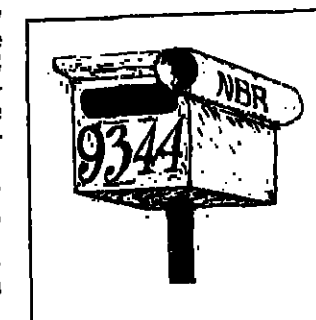
(3) We take note of your comments that the cover offered is limited by a number of restrictive conditions and for your writer to state, and we quote, "for instance it is warranted by the insured that the insured vehicle and all drivers thereof have not been involved in any motor vehicle accident" unquote. It is indeed a pity that Mr Sloan did not finish off the warranty which is warranty (b) in the policy and in full it states "the insured driver and all drivers thereof

have not been involved in any motor accident during the IMMEDIATE THREE YEARS prior to commencement of this insurance at date of proposal hereunder".

I believe that your correspondent has misled his readers in this regard. It certainly cannot be interpreted to mean no accidents at all.

The next warranty that Mr Sloan has questioned is warranty (e) which states in full "the vehicle is at commencement of the policy free of dents, damage or broken glass". We completely disagree with your writer's statement that, and we quote "one interpretation of this provision is that the clause applies to a second-hand vehicle bought by a person who is unaware that the vehicle had been involved in a previous accident or buying a vehicle which already had dents and dings from previous minor scrapes".

If the purchaser of a used vehicle saw that it had a broken windscreen or dented mudguards etc he would probably not accept the vehicle until such time as the repairs made by the vendor are completed. When the car is put into a roadworthy condition and is free of bumps, scratches and broken windscreen glass, etc, full cover



LETTERS

would apply and warranties should not be breached in any way.

At the same time it would be incredible to believe that if a vehicle was showing visible signs of damage that any owner would expect the insurance company to pay for damage that occurred before the policy came into effect.

The next paragraph in your article went on to say that under Motopak, this warranty would entitle the insurer to decline any claim under the policy. This is completely incorrect and is not the case.

(4) The question that Mr Sloan raises with regard to no excess insurance has been interpreted the wrong way. Policy conditions have already been stated as above and provided the driver is in this category, which is the category for which the policy is designed, the policy has no excess what-so-ever.

However, if the insured wishes to lend his vehicle to a person who is outside the policy warranties, therefore if a driver under the age of 30 has an accident and a claim is submitted the policy makes provision for the company to impose an excess of \$500. (Normally under age excess for drivers under the age of 25 with most insurance companies is now \$250).

We are completely open about the fact that the policy does not enter for people who do not qualify for the warranties.

(5) Your writer then goes on to comment that the Motopak policy is also limited to social, domestic and pleasure purposes and his definition, not ours, has been stated that this excludes use of the car to go to and from work or other business or occupational functions and we do stress that this is definitely incorrect. Our definition of private type vehicles is "private means that depreciation and/or running expenses have not been claimed for any tax purposes except for farmers' saloon type vehicles". Again Mr Sloan is misinformed of the fact that Motopak Executive is the business type policy and the definition of the business vehicle and owners thereof is as follows:

"Motopak Executive is only available for motor cars and station wagons of self employed, sole proprietor, partners and shareholders actively engaged in private companies". Age of vehicle, age of driver and claims and accident for three years is the same criteria as in Motopak.

(6) It is interesting to note that NBR telephoned a local agent in Motopak Auto Insurance in Wellington but did not bother to contact or discuss his queries with the principal who designed the product, which is our company, or for that matter the underwriters, QBE Insurance Limited, and we would like to answer the questions as reported in your newspaper with the correct answers.

The question was "what happens when there is a claim — will the premium go up?" Answer "you will notice that Motopak does not have a no claims bonus like the conventional type policy does. Under the conventional no claims bonus system that person has a claim and the premium is increased anywhere from 40 to 100 per cent and in some cases impose an increased excess to the policy".

If the person has had a claim while he is insured with Motopak Auto Insurance he could not truthfully sign the warranty the year after when the policy is expired and has to be reissued. The only people that will be in the Motopak Auto Insurance scheme, whether it be for Motopak or Motopak Executive, are people who are completely claims and accident free for at least three years on entry and also at renewal. Such persons who have had an accident during the year will not be penalised any more than with a normal motor vehicle policy. In fact our renewal terms will still give them greater cover at a more competitive premium than is available from a normal motor vehicle policy.

The conditions in this policy will be identical to the standard Motopak policy except

there will be a possible increase in premium by 45 per cent if the insured has had a claim while insured with Motopak. We have had to date, however, then it will not be a very degree and will still be competitive than the conventional no claims arrangements.

The Wellington agent, fact Motopak is throughout the country is no right under any circumstances to make a statement that, and we quote "we would not really know them". We are a pretty confident that a

person who has a qualification criteria entry into Motopak only have a claim and this is renewal we are going by them extremely loose terms under a category 2 type policy when they have been in and accident free for 3 years again they automatically be put into Motopak.

(7) We do not agree any circumstances of writer's comment to have "amputated a limb". The structure of Motopak is well researched and its information is now: with proof that we was correct and aware of the situation is justified.

At no time do we criticise from or petitioners as "sour grapes anyone who does it be, in our opinion, and have their heads in the sand.

We note the comments the State Insurance claims that the scheme undermines concept of insurance believe that we have and social obligations that the careful accident free driver severely penalised subsidising the be any more than he agree that the whole of insurance is spread risk which that some people fortunate and not have we have put these people elite group and given rewards which we might add that supported us strongly.

To finalise, let me say that we welcome any criticism about the design of Motopak Insurance but we do not believe to be untrue of factual reporting by a writer. We notice that not mention any of the advantages of Motopak normally is included above cover — accommodation, rest other costs up to \$100.00 and the automatic cover if the owner should be involved in an accident. Motopak Insurance is perceived as anticipated and gaining, the market the selected risk and envisaged.

Cricket Northern Insurance Brokers Limited JOHN Sloan Motopak's policy is a motor car policy. It is literally interpreted and says that it is an interpretation of the letter 'etc' which is first time.

# Employers face greying workforce phenomenon

by Rae Mazengarb

BY THE year 2000, some 700 million of the world's workforce will be aged over 45 — an increase of 75 per cent from the 400 million or so recorded in 1950.

Dubbed the "greying" workforce, the phenomenon is one that most New Zealand employers have yet to come to grips with.

The older workers do not raise problems so long as they are working. The trouble starts if and when they lose their jobs.

The workers then are swept suddenly from full-time employment to the longest holiday of their life.

Superannuation and pension schemes may ensure retired employees don't take a drop in standard of living. But few employees look beyond economics to the other essential features of an enjoyable retirement, such as good health and a fully occupied life.

Subsequently they find the transition a traumatic experience.

The question of how far employers should go to ensure that employees have a happy and profitable time in retirement is one that is starting to occupy New Zealand employers right now. But few have gone further than identifying the problem.

Pre-retirement planning can ease the transition and a few companies are working actively in this area.

The old NAC kicked off back in 1970 with a scheme to prepare employees for early retirement. It has been reinstated recently for the merged company.

Because of the large numbers of workers involved, the domestic airline initially limited the scheme to those who had served 15 years with the corporation. But it is hoped eventually it will cover all retiring employees.

The practice involves counselling the employee

through two-day seminars, just before retirement.

Subjects covered might include financial considerations, health, leisure and relaxation.

Just one seminar has been held this year, but according to Bill Yates, who helped get the programme off the ground, another eight or so seminars are planned before Christmas.

The idea attracted great interest among other employers. Some companies sought advice on how to go about adopting similar practices.

But aside from half-hearted attempts to introduce such a service, few companies appear to have thrown themselves actively behind the concept.

As part of its employee benefit consultancy service, the Auckland-based brokers Sedgwick Forbes Group, employed a retirement counsellor in anticipation that small companies would pay for the service on an hourly basis.

But group actuary, Mike Swanton said the idea quickly died because of difficulty in "selling" the scheme.

Sedgwick advertised widely and made the service known, but there was a disappointing reaction from employers.

It was intended the service would be one of true counselling. On a one-to-one basis, or in small groups of five, employees would talk out their problems with the counsellor.

Essential to the success of counselling — aside from the finance the company provides — is motivation. But the people receiving the counselling were suspicious, Swanton said, and it was difficult to get through to them.

They were reticent about talking over their problems. Tough economic times could have been behind the low response from the employers.

Employers' use of a third party to handle the pre-retirement conditioning is a good idea as far as it goes.

Outside seminars do help cushion the experience for

employees; but this type of programme is not likely to provide a complete answer for their needs.

The employee is likely to think of questions after the course is over; in-house courses provide a follow-up service.

Don Flemming, now branch manager of UEB in Wellington, retired from the airforce at age 43. He was faced with the gymnastics of reviewing his life then and knows that the older person finds it more difficult to cope with the experience.

UEB has in the past sent husband-and-wife couples along to outside planning-for-retirement seminars, but Flemming saw this type of programme as inadequate in terms of an on-going programme.

He had followed the NAC scheme with interest and put a proposal to management for an in-house scheme for UEB.

A pilot scheme for the Wellington region was initiated. Staff were surveyed

for age groupings and a tentative programme was set up. The most elderly employees and their wives or husbands took part in the first phase.

Run along seminar lines, the programme ranged from health matters to a complete summary of financial entitlements.

"We steered well away from trying to give financial advice," emphasised Flemming. Rather, employees were briefed on who to go to for that kind of service.

This year the company will be dropping its sights to the 50-60 age group but the course will change appropriately; later the 45-50 age group will be included in the programme — those who should be starting to plan for a secure future.

The present course was limited to the Wellington area but it's likely UEB as a whole will formulate a total scheme for the entire company in the near future.

Flemming believes there is a growing awareness that

companies are going to have to move into this area of manpower planning but says the skill comes in not over-doing it. He accuses some companies of taking a paternalist view of their employees in their attempts to include this type of service in the employment package.

Swanton provides another answer to problem of sudden retirement. Called the "phased out" method of working, the employee gradually drops out of the workforce over a period of years.

From the traditional five-day week, the employee drops to a four-day week and so on until he is ready to stop work altogether.

Borthwicks and the BP group are among companies which consider that their responsibilities as employers go beyond the day the employee finishes work.

The rationale is that where the employee has served the company for many years, the company should help them

during retirement. While several companies say they invite retired staff back for functions and send them copies of in-house magazines to keep them informed of company progress, BP and Borthwicks both retain after-retirement liaison officers.

The job involves travelling around the country, visiting retired staff and relaying their problems back to the company. In turn, the officers are able to pass on information about the company and other retired workers.

Borthwicks' scheme was the brain-storm of managing director Peter Norman, who felt that some system could be devised whereby links between the company and long-serving staff could be retained even into retirement.

Initially limited to superannuitants — from management to clerical staff and some freezing workers — the programme recently was extended to people who retired under the old pension scheme and widows of ex-employees.

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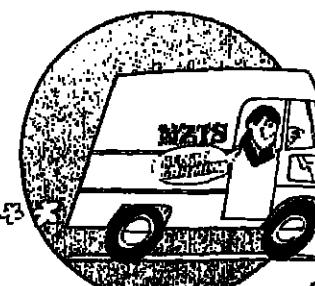
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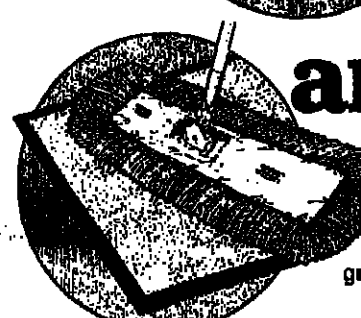
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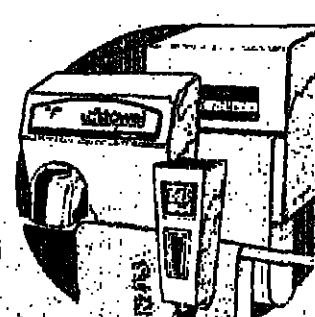
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SIR FRANK HOLMES  
"distinction between secrecy  
and poor co-ordination"

by Geoff Palmer

INFORMATION gives power to those who have it and deprives those who do not. The near monopoly on information enjoyed by government is an important source of executive power in New Zealand. An increase in the amount of government information available to parliament and the public should assist in the checking and scrutinising of decisions reached by the executive branch of government.

As a famous American judge, Mr Justice Brandeis, once said: "Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best disinfectant and electric light the most efficient policeman."

### Secrecy in New Zealand

Government in New Zealand is organised on the opposite principle. The presumption is in favour of secrecy and that

## Information gives power to those who

preference is backed by extraordinarily severe laws.

The heavy artillery protecting official information appears in the Official Secrets Act 1951, a piece of legislation which also contains provisions about spying and harbouring spies, unlawful use of uniforms and interfering with persons on guard at prohibited places. The Act contains an ugly provision which casts the burden of proving innocence on the accused if "from the circumstances of the case, or the conduct of the accused person, or his known character as proved, it appears that his purpose was a purpose prejudicial to the safety or interests of the State."

Under the Official Secrets Act any person who has any official information entrusted to him commits an offence if he:

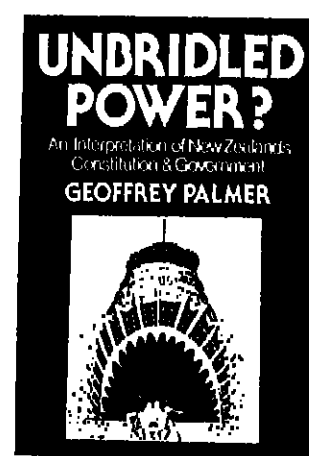
- communicates the information to any unauthorized person (any person receiving the information also commits an offence);
- uses the information for any purpose prejudicial to the safety or interests of the state;
- retains the information when he has no right to retain it;
- fails to take reasonable care of the information.

Our legislation follows the British legislation passed in great haste and with scant discussion in 1911. The Act gives the New Zealand government absolute power over the information it gathers, and it may be information of the most trivial kind. Disclosure is under the control of the executive branch. We have added a

number of other laws which prevent disclosure. The State Services Act 1962 states that a public servant who "directly or indirectly discloses or for private purposes uses any information" acquired in the course of duty breaks the law. (s.56) Further restrictions appear in the Public Service Regulations. Furthermore, the law relating to many specialised activities contains provisions restricting the use of information: for example, census, statistics, taxation, factories and hospital records. The Wanganui Computer Centre Act contains controls on the use of information stored in that facility.

Some restrictions on the use of official information are necessary. People would be outraged if anyone could have access to their hospital records, the details of their income or their trade secrets. Government holds an enormous amount of information about all citizens on a great variety of topics. It would be unacceptable for all the information to be disclosed without restriction. Quite apart from arguments relating to the security of the state, privacy and human considerations demand that not everything be made available.

Cabinet ministers are under severe restrictions as to what they can reveal about information coming into their hands. An executive councillor (which all cabinet ministers are) must swear that he will not directly or indirectly reveal such matters as shall be debated in council and committed to secrecy. The oath



continues to bind ministers even after they have ceased to be ministers. Whether the oath has any application to matters discussed in cabinet must be regarded as legally dubious, however.

Cabinet is the key decision-making body in the New Zealand government. It is protected by a cloak of secrecy. The theory is that the cabinet must be seen to be united on everything. One of the more intriguing questions about cabinet secrecy is whether it will stand up in court. When the diaries of Mr Richard Crossman, a former British cabinet minister, were to be published in England, the attorney-general sought injunctions against the publishers to prevent publication. He failed. Lord Widgery, the chief justice, said the courts would restrain publication if it could be shown that the publication would be a breach of confidence; or that publication would be against the public interest because it would prejudice the doctrine of collective cabinet responsibility, and there was no compelling public interest why they should be published. The passage of time made a difference, however, the chief justice held. In that particular case a lapse of nearly ten years had occurred. In the circumstances it could not be demonstrated that the overriding public interest in non-disclosure was continuing. Restraints on publication would be made only in the clearest cases.

In correspondence preceding the case, the secretary of the cabinet put the case for secrecy this way: "The conventions which in the public interest govern the publication of works by former Ministers have evolved over many years and been accepted by successive administrations. They flow from the two complementary principles of the collective responsibility of the Government as a whole and the personal responsibility of individual Ministers. "As regards the first of these, the Cabinet meets in secret and the records of its proceedings are secret until of historical interest only. Only in this way can complete frank discussion take place between Ministers in the Cabinet and in Cabinet Committees without the risk of extraneous pressure and controversy. It has also always been held vital for good government that other confidential communications between Ministers, or between Ministers and their senior civil servants, should be protected from untoward disclosure. This is not a matter which depends on the Official Secrets Act. It is based upon the inherent needs of government, and the mutual trust which needs to exist between Ministers and their senior advisers. It is an essential feature of the doctrine of collective responsibility which is at the centre of our system of government."

Some legislation and practices in New Zealand ensure that the public has access to some official information. The Public Bodies Meetings Act 1962 requires of public bodies to be open to the public. The bodies include local authorities, university councils, school boards, catchment boards, and even the South Canterbury Wallaby Board. The power to exclude the public is given where it is considered that:

- publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted;
- there are other special reasons arising from the nature of the business;
- publicity would be likely to cause unnecessary personal embarrassment or to unnecessarily damage the personal reputation of any person;
- a public body may treat the need to receive or consider recommendations or advice from sources other than that within the organization itself as a special reason why publication would be prejudicial to the public interest.

The Public Bodies Meetings Act demands that where the public is excluded from any meeting the "general subject of each matter to be considered while the public is excluded and the reason for the passing of that resolution"

Where no attempt is made to invoke the Official Secrets Act, the courts may be more liberal than the executive branch of government in allowing the free flow of government information. On the other hand, it is plain that the courts, as illustrated by the Crossman case, accept the need for confidentiality to surround the proceedings of cabinet for a substantial period. Whether collective responsibility is such an important feature of our government to warrant the protection afforded cabinet papers is open to debate. Certainly confidentiality at the time of decision seems necessary, although in many countries "leaks" from such documents are published in the media. Two or three years after the decision should be long enough for the protection to last in many categories. The reasoning of the British cabinet office snacks of paternalism and at bottom depends on the view that the people should not know that the people who make decisions on their behalf may have different opinions from each other.

The courts also control a complicated branch of the law known as crown privilege. That arises where a citizen has sued the government for perhaps someone else) and requires information from the government which will assist his case. At one time the courts would bow to any claim made by the government that the information sought should not be disclosed in the national interest. In recent years the courts have taken the view that they, not the minister, will make the final decision. And to that end a court will look at the information which is the subject of the dispute to see whether it can be disclosed. Again, in this area of the law, we find the courts saying that they will not order disclosure of cabinet documents until such time as they are of historical interest only. Neither will they allow disclosure of documents connected with policy-making and quite a wide range of other matters touching on foreign relations and law enforcement.

Some legislation and practices in New Zealand ensure that the public has access to some official information. The Public Bodies Meetings Act 1962 requires of public bodies to be open to the public. The bodies include local authorities, university councils, school boards, catchment boards, and even the South Canterbury Wallaby Board. The power to exclude the public is given where it is considered that:

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must be stated. Any member of the public can inspect the minutes, if seen that the grounds for excluding the public are wide and general. The public body which shies away from itself. From time to time suggestions are made to local authorities all over New Zealand that the law of confidentiality be relaxed. Notwithstanding the fact that the law is much stronger than standing orders which regulate the conduct of parliament, Parliament select committees are due to the public and to the public unless the house directs should be open. Often it is not do so.

### Demands for open government

Recently a chronicle criticism has been heard the lengths to which government goes to preserve about public documents. Michael Minogue, a member of parliament, Hamilton West, described for having land issue into one of public concern. He has written:

- "What is required in New Zealand, as elsewhere, is positive acknowledgment of the critical place of information in our political system requires the law established by the Official Secrets Act, to be changed. Such a change will so alter the political climate, as attitudes that go with it reforms of Parliament have been talked about many people for some time. enough of what has happened in other places to be alert and cautious that comes to discussion of these purposes reforms should be designed to achieve. That of freedom of information legislation is to enlarge critical and investigative of Parliament, and of the media generally. The aim is to establish a 'countability' as a basic check upon executive and administrative action."

In his 1976 report to the Security Intelligence Service, the chief ombudsman, Sir Powles, pointed out that excessive secrecy can be a danger to the controls which operate in a democratic society. "The government agencies are not like having to ensure that one's opinions and reactions to other people are fully as public. In other words, secrecy is not a democratic principle. It is not a democratic principle."

Sir Frank Holmes, a member of parliament, Hamilton West, described for having land issue into one of public concern. He has written:

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## have it and deprives those who do not

ber's bill, the Freedom of Information Bill 1977. The preamble to the bill recited that "the people of New Zealand have a political right to be informed by their Government concerning the public business so that the people may participate more fully in the democratic process" because open government is necessary for a strong democracy. The bill gave every person a right to official information, and that was a term which was broadly defined. Each government agency was to be under an obligation to maintain and make available for public inspection a register of the official information for which it was responsible. Where access was refused, the application could be taken to the Supreme Court. The bill applied to all government departments and a large number of quangoes and local authorities.

The bill contained a large number of exceptions, situations in which access to information would be denied:

- cabinet documents and those of the executive council including the record of deliberations;
- communications between ministers of the crown;
- personal records, unless the person concerned consented;
- documents touching upon the security of New Zealand;
- information relating to intelligence systems, codes and communications relating to military operations;
- trade secrets or financial information imparted in confidence;
- medical records of a patient;
- information the disclosure of which would have an adverse effect on the economic interests of New Zealand;
- information which could assist someone under detention to escape;
- documents relating to law enforcement and the giving of legal advice.

The bill did not meet with universal expressions of approval when it was debated in the House of Representatives. Minogue, who had enjoyed something of a monopoly on the issue, described the approach as "naïve". Both Minogue and Marilyn Waring were disposed to criticise the bill for cutting out access from too wide a range of information, a point which had real substance considering the width of the exceptions. B. E. Brill accused Minogue of "claim-jumping". He is riding on the speeches made by the member for Hamilton West, who has been studying the legislation in other countries for some months.

In 1978 the government responded to the pressure for freedom of information by setting up a committee to make recommendations on the subject. Chaired by Sir Alan Danks, the committee comprises government officials, with the exceptions of Sir Alan and Professor K J Keith of the Faculty of Law at Victoria University. One can be pardoned for wondering whether radical changes are likely to be recommended by such a group. The position of public servants is greatly strengthened by secrecy in government. It suits them as much as their political masters. On the other hand, it can be argued that if public servants recommend the changes, the public service will follow them when implemented.

A great deal more has occurred overseas in the field of access to official information than in New Zealand. The United States has had wide-ranging legislation on the

The accompanying article is an edited extract from a chapter on access to official information from the new book on the New Zealand constitution by Geoffrey Palmer, professor of law at Victoria University in Wellington. The book, "Unbridled Power?" was published by Oxford University Press and available from bookshops at \$8.95.

books since 1967 and this legislation has recently been revised to make it more effective. In 1977 Congress passed the Government in the Sunshine Act which went further and required public agencies to hold meetings in which they deliberate in public. The legislation goes a great deal further than the provisions of public information. It requires access to the decision-making process. The policy of the Government in the Sunshine Act 1977 is:

- "It is hereby declared to be the policy of the United States that the public is entitled to the fullest practicable information regarding the decision making processes of the Federal Government. It is the purpose of the Act to provide the public with such information while protecting the rights of individuals and the ability of the Government to carry out its responsibilities."

Following such legislation in the United States, a large range of government documents has become available. These have been used, particularly by journalists, to probe various activities of government in the United States including the conduct of the Vietnam War, the Central Intelligence Agency and the use of tax records to harass dissident political groups. More information is now publicly available in Sweden. Proposals have been made in the United Kingdom. In Australia a government bill has been introduced. Concern about the issue has been sweeping the western world in the last five years or so.

### A New Zealand solution

There are two routes towards reform. One is to pass legislation specifying the information to which the public may have access. The method by which the right shall be enforced must be spelt out, with a court being the ultimate arbiter. Under such a regime it would be costly to make information available on any widespread scale. And it would not be easy to work out in advance many of the problems which could arise.

The British Section of the International Commission of Jurists has recommended that the provision of a statutory right to information is not the appropriate route to take. Rather, these lawyers suggest, a Code of Practice should be established for all government departments. The code would require the disclosure of as much information as "is reasonably and practically possible relating to the actions and decisions of the government and other organs of public administration". (A Report by Justice, para. 36.) The purpose of the disclosure would be to enable the public to understand the reasons and the grounds for such actions and decisions. Departments would have a guide of documents or classes of documents subject to disclosure. Complaints that information had been withheld without justification would be made to the ombudsman. A key idea behind the scheme is that it would be capable of evolution in response to problems encountered.

The proposed Code of Practice contains exclusions for information:

- relating to law enforcement;
- relating to defence, foreign relations or internal security;
- which would be privileged against disclosure in litigation;
- which has been entrusted in confidence to a government department;
- the disclosure of which would infringe the privacy of the individual;
- which if disclosed could reasonably expose the person disclosing it to significant risk of proceedings for defamation.

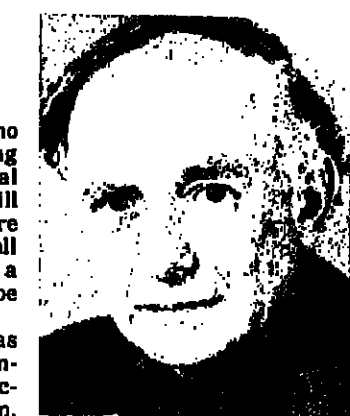
The proposal has great strengths in the New Zealand context, although the exclusions seem more generous

than necessary. It would avoid the need for legislation which would inevitably have to be amended, perhaps frequently. It would allow practice to evolve without suddenly throwing the administration of government into confusion or placing it in an adversarial relationship with members of the public. Yet it would provide for fundamental change in government's approach to the availability of information to the public. Such a proposal should be combined with the provision of the fullest information available to the executive about a bill upon the occasion of its introduction to parliament. No change in the law is necessary to accomplish that.

Another change which could cut down the power of the executive would be to give parliamentary select committees much wider powers to elicit information from public servants and ministers. Ministers should have to appear before select committees and if they appear accompanied by their top public

servants there should be no inhibitions about having questions answered. Real parliamentary scrutiny will never be effective unless there is a capacity to secure all relevant information and a willingness on both sides to be candid.

There are a number of areas where disclosure of information would be of practical importance to the citizen. The Department of Social Welfare operates through the use of manuals. These manuals tell staff how to handle various problems which arise in the processing of applications for benefit. They detail the manner in which certain discretions in the legislation are to be exercised. The effect of such a practice is that the department is administering a type of "secret law", to which the people whom it affects have no access. The same sort of problem can be seen in a number of fields of government administration. Such manuals should be made public. There is no justification



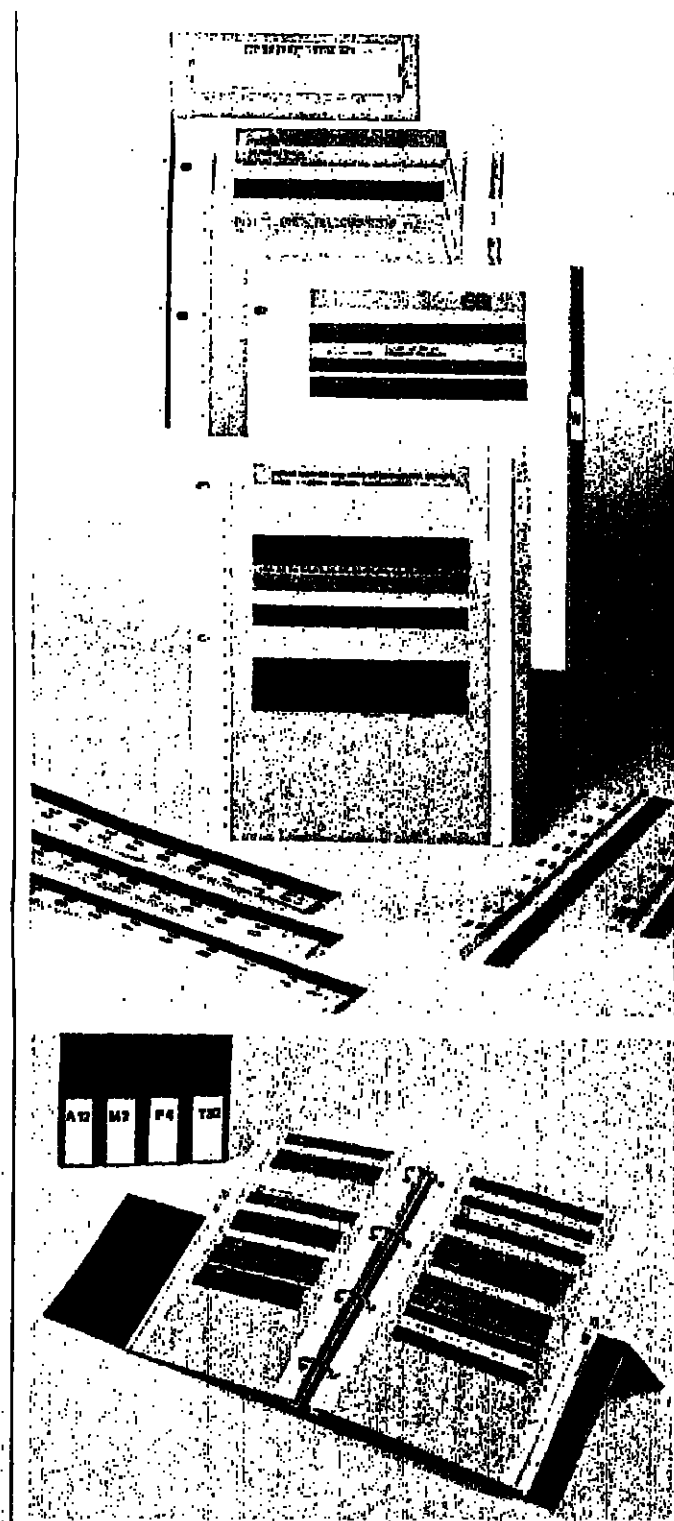
MICHAEL MINOGUE  
"critical and investigatory role"

for keeping the rules secret. If they are fair and lawful they should be known; if they are not, they should be known so that they can be attacked. It should be government policy that all manuals relating to any matter in which a department deals with the public or a section of the public should be available for public inspection on request. Few policies could be as simple to implement and few would do more to remove suspicion from the minds of those who must deal with government.

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## Policy-makers avoid common sense

by David Boswell

IT has been known for some years that Maui gas would be on shore by 1979.

Most people, would have concluded that, in anticipation of that event, decisions would have been made on how that gas would be distributed. But common sense and Government policy don't go together, and, although that gas is now ashore no decision has yet been made on who will be responsible for its distribution.

"Goals and Guidelines, an Energy Strategy for New Zealand," was published by the Minister of Energy in May, 1978.

Apparently the original draft did contain some form recommendations, but these were deleted from the published edition.

The original draft proposed that electricity supply authorities should unite to form energy authorities selling both electricity and gas. It stated: "Despite some progress with amalgamation in the past there are still 61 electricity supply authorities of various kinds, and the Municipal Corporations Act, 1954, permits a proliferation of gas undertakings. The existing arrangements do not make the best use of such scarce resources as skilled labour, and the unnecessary addition of further organisations would be contrary to the best interests of consumers in the industry and the nation."

The expurgated edition did note that there were a number of common characteristics in electricity and gas distribution, namely:

- There are economies of scale in larger units arising from better utilisation of technical manpower, specialised plant, vehicles, communication networks and administrative structures;
- Installation and operation can be co-ordinated with other similar energy forms so as to yield significant joint economies;
- A wide range of consumers, and appreciable size of authority, allows each authority to achieve tariffs close to the national average;
- Communities or regions can retain a local interest.

The conclusion was that "a rationalisation of energy distribution is needed".

The 1978 National Party manifesto stated that: "Where gas and electricity are being reticulated in a district, then its supply, distribution and regulation should be co-ordinated to ensure its most efficient distribution and utilisation. The basis of gas distribution to new districts will be decided on the foregoing principles and decisions will be taken by Government as gas becomes available."

The gas is available now: where are the decisions?

We are fortunate in that we have a pilot scheme in operation to demonstrate how the co-ordination of gas and electricity distribution does work in practice. At the fourth New Zealand Energy Conference the general manager of the Hutt Valley Electric Power and Gas Board presented a paper titled "An Area Energy Authority in Action." The paper presented facts to support the conclusion that there is an incontrovertible case for the co-ordination of electricity and gas distribution.

The general manager of the

Natural Gas Corporation has stated that it would be a disaster if there were a large number of small authorities to whom the corporation had to deliver gas.

The Territorial Energy Authorities Association believes that there are only two realistic options for future organisation, namely:

- Distribution as the function of special purpose regional energy authorities; or

THE third of a series on New Zealand's energy policy by David Boswell B Com, FCIS, ACA. He was a power board manager for 25 years, chairman of the Power and Finance Utilisation Committee of the Electrical Supply Authorities Association for 10 years and a member of the Committee to Review Power Requirements for the same period.

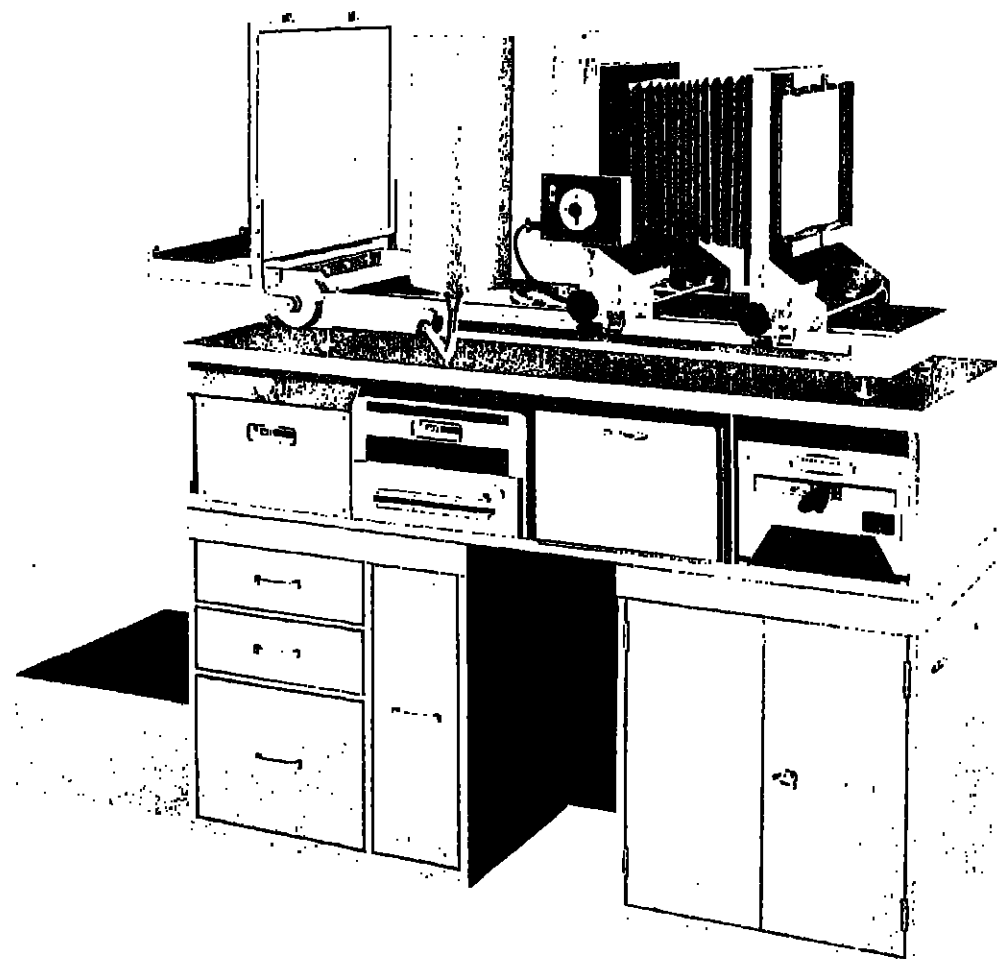
- Distribution as a function of multi-purpose regional authorities.

The Territorial Association favours the second option; the Electric Power Boards of New

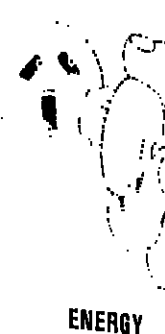
Zealand favour the first. Whatever option is finally adopted, immediate priority should be given to establishing regional energy authorities now.

Once these authorities are functioning efficiently it would require only a minor amendment to an Act of Government to transfer them to a regional authority. The efficient operation of regional authorities is somewhere in the future; many of them are not yet constituted, and the time for action is now. Surely the Government must realise that it cannot postpone making a decision indefinitely.

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ENERGY



THE AUSTRALIANS

## State protects banks from rivalry

Melbourne Correspondent

THE current inquiry into Australia's financial system has received a submission calling for less Government regulation and more competition for Australia's banks.

The submission, presented by the Federal Department of Business and Consumer Affairs, argues that the country's banks are both too protected, and too Government

regulated.

Much of this regulation, it says, protects the banks from competition, and leads directly to the inefficiencies which abound in Australian banking.

As an example the Department points to the Government's prohibition of interest payments on demand deposits. This, it argues, has forced the banks to attract deposits through non-price competition, giving rise to an abundance of

branches with higher overhead costs.

The submission proposes that competition between banks and non-bank financial institutions should be encouraged by permitting the latter to develop credit card systems.

At present 14 banks operate Bankcard at an annual interest rate of 18 per cent. Some two million Australians are reported to use the credit card at an estimated average

outstanding debt of \$A709 million.

The banks' operation of the credit card system has come under strong attack from a former Federal Treasurer, the present Leader of the Labour Opposition, Bill Hayden.

He said the current Bankcard rate of 18 per cent compared with overdraft rates of 10 per cent and personal loan rates around 14 per cent. Hayden expressed concern over allegations that some

customers seeking personal loans and overdrafts were being directed to the more lucrative Bankcard.

He criticised the present Federal Government for not regulating the Bankcard rate and said a future Labour Government would intervene to control it, as it affects one in five Australians.

His claim, however, that the 14 banks had made \$A150 million profit this year in the credit card business was rejected by a spokesman for the Bank of New South Wales as "blatantly misleading" that figure, if it were correct, represented gross revenue, not profit.

Nonetheless participating banks cannot have drawn much comfort from the reported remarks of the present Federal Treasurer, Howard, who said he was keeping an open mind about the possibilities of a second competitive credit card system, and the public disclosure of credit card profitability.

Although no figures on Bankcard profit are publicly available they have been supplied by the banks to Australia's Trade Practices Commission.

It will decide whether or not to exempt Bankcard from provisions of the Trade Practices Act forbidding contracts, arrangements, or understandings that substantially lessen competition.

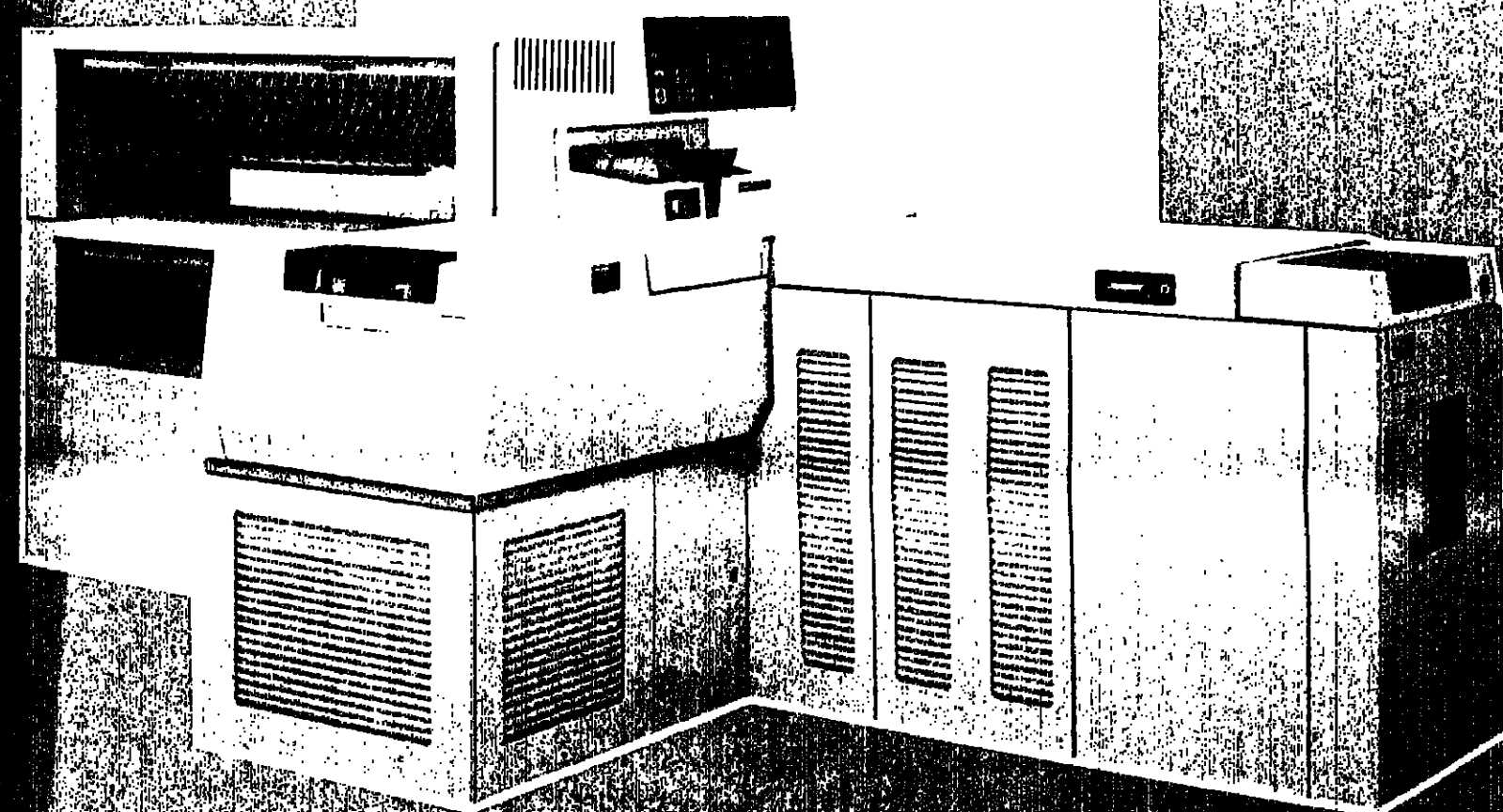
The present agreement among the 14 banks fixes uniform charges with business, and the holders of credit cards, and prohibits member banks in the agreement from entering into other credit card schemes. The Federation of Credit Unions Leagues has submitted to the Trade Practices Commission that the agreement be open to all Australian financial institutions.

Whatever decision is handed down by this commission, the operation of Bankcard must still survive the scrutiny of the "Campbell" inquiry into the nation's financial system.

Bankcard is not alone in drawing criticism.

Allegations that Australian trading banks are also making unnecessarily high charges on currency conversion were made to the Campbell inquiry in a submission presented by the Australian Merchant Bankers Association.

It contends that the present limited foreign exchange market is imposing considerable costs on Australian business, and proposes a competitive market in which the merchant banks would be permitted to deal in foreign currency — currently the preserve of the trading banks. It is more than 40 years since a new trading bank licence was issued in Australia and the general tenor of much criticism is that keener competition from both non-bank finance institutions and foreign banks would be in the national interest.



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## Automatic tellers clock in for work

WITH the advent of machine readable identifying plastic cards, New Zealand banks are moving slowly but surely into the use of computer terminal equipment at the customer end of the bank transaction.

The first "automatic teller" machine arrived last month in one of the ANZ Bank's Wellington branches, allowing account holders to make chequeless withdrawals of funds and inquiries on the state of their account, without interfacing with a human teller or waiting in a queue behind others with more complex transactions.

Most other banks are

making at least some plans in the automatic teller direction.

Further advanced after ANZ is the Bank of New Zealand, which this month is expecting to get two IBM teller terminals for evaluation.

The National Bank was visited last month by a representative of United Kingdom parent organisation Lloyds Bank.

Lloyds was the first United Kingdom bank to introduce teller terminals. Gordon Hague, Lloyds general manager of Information Services, insisted that he was not here to influence the

National Bank in its automatic teller plans, merely to communicate Lloyds experiences in the field.

"Planning processes are in motion" at the National Bank for installation of automatic tellers, but there were no terminals in any branch yet, even under test, said a spokesman.

Hague spoke enthusiastically about the savings both for the bank and for customers, resulting from the use of automatic tellers. In direct monetary terms, he pointed out, a cheque cost the equivalent of 56 cents to process, while the cost of an

automatic transaction is 13 cents.

Lloyds is now beginning to pass this saving to its customers, in terms of a 40 per cent reduction in bank charges for automatic transactions.

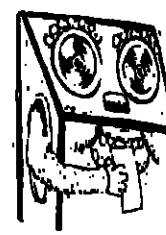
Added to this was the obvious saving in queuing time for the customer, and the ability to transact business at any branch with automatic identification.

Lloyds "Cashpoint" terminals have now been installed at over 800 sites, not only in bank lobbies, but on the outside wall, enabling transactions to be made outside hours, and also in non-

bank sites, from stores to places of employment. Most other United Kingdom banks have followed Lloyds into automatic tellers.

Inquiry facilities are already available on wall terminals, and the next step is the installation of "creditpoints" allowing a customer to deposit money in his account at a terminal.

United Kingdom banks are moving one step at a time, but it is interesting to note that the first terminal—or rather pair of terminals—installed by the ANZ Bank provides for enquiry as well as withdrawal, and also has facilities for



COMPUTERS

deposit. The last have not activated yet.

Hague pointed out that the customer performance of the checking function by automatic devices, two clerks are necessary to provide a check of deposited amounts are a parcel with the machine records at the end of the day. Thus in one step, respect—staff time—automation of deposits is nothing.

Besides their labour savings, the automatic terminals in banks and other places were seen by Hague as building up customer confidence for a final point of sale automatic move, already taken in stores in the United Kingdom, completely eliminating paperwork from the action, and providing a record of benefits for the store.

In the United Kingdom, United States, chequeless transactions are the advantage of appeal; stores who would prefer to handle large quantities of cash and distrust cheques would be interested. Hague said, to view the acceptance of such transactions in New Zealand, where chequeless transactions are not acceptable.

Meanwhile, the automated terminal movement is ready for the initial move: withdrawal, deposit and chequeless transactions.

First blood has gone to the United States company, e-term, who supplied the terminals, through local International Data Corporation, which is better known as IBM, NCR and Burroughs.

NCR last month has timely release of its new terminal and 1280 through-wall terminal. Both provide withdrawal, deposit, inquiry, transfer, programmable accounts, the banks' requirements.

The local Burroughs hosted late last month an international division president, Bill Coulson, took the chance to look at the bankers who represent Burroughs' market in New Zealand. Undoubtedly, he was informed of the Burroughs move to automatic teller terminals, with the release of the model, the RT80.

On the negative side, banking automation has the biggest fears of the unions, on the employment of the Officers' Union secretary, Almer has predicted a "wave" of employment pact with the banks' automatic terminals and increasing use of automation.

The banks' attitude with other unions is, however, careful eyes on the automation. The banks' possible employment

## Judge rejects creditors' Liquidator choice

by Warren Berryman

MR Justice Barker has turned down the recommendation of Securitibank creditors that Chas Sturt and Harold Goodman be appointed joint liquidators.

In Auckland Supreme Court, the judge appointed Goodman as sole liquidator 98 hours after an all-day hearing.

Sturt was turned down because the court said he hadn't sufficient experience.

Mr Justice Barker made it clear in his 35-page decision that he thought it desirable for Sturt to continue in the role of investigator.

"Ultimately, one would hope that when the long-awaited Section 9A report appears, Goodman as liquidator will be provided with a copy and that he will be permitted to make it available to Sturt," Barker said.

Mr Justice Barker also appointed John Northy and Victor Jowsey to the committee of inspection.

Securitibank investors consortium secretary Jack Anderson received nearly double the number of votes as did Jowsey at the creditors meeting.

But Jowsey had a slight edge on Anderson in value of votes. The central issues argued at the court hearing were:

Whether Sturt was qualified for the job. Counsel for the consortium, Derek Firth, supported Sturt's ap-

pointment. The Official Assignee, Ernie Gould, opposed Sturt.

Whether other nominees for Securitibank's liquidator, who also acted as auditors to one or more Securitibank shareholders, should or should not be seen by virtue of this position as auditor, be seen to have interests in conflict with those of liquidator.

One point pursued by Mr Justice Barker throughout the hearing was whether there was a good case for the appointment of Sturt as a joint liquidator. Might it not be better, or cheaper, to appoint Goodman as liquidator and have Sturt continue in his present role as investigator? That question was central to much of the debate.

Both Goodman and Sturt said they considered themselves adequately qualified to act on their own.

But the argument kept coming back to the division of responsibilities set out in the consortium's newsletter: Goodman as the accountant handling the day-to-day liquidation, and Sturt the lawyer, pursuing civil action against Securitibank shareholders and directors.

The creditors' meeting considered four pairs of joint



THE LAW

liquidators. Sturt and Goodman, nominated by the consortium, received the highest number of votes.

Second came Bryan Kensington and Bruce Christinas, of Wilkinson Wilberfoss. They withdrew their nomination before the court hearing. (See NBR July 25, 1979).

Third in voting strength were Gerry Iken and Bruce Stowell of Gillman Morris and Co. The company act as auditors to New Zealand Insurance, a Securitibank shareholder, and have acted as auditor to South British Insurance, another Securitibank shareholder.

The fourth pair of liquidators, Francis Jolly and Murray Wells, received few votes and was not considered by the court.

The contest was between Rea and Stowell and Sturt and Goodman.

Gould made it clear he did not consider that being an auditor of a Securitibank shareholder constituted a conflict of interest.

Firth did not agree. Nor did Mr Justice Barker. His judgement reads: "In cross examination, Rea was unable to see any conflict of interests arising from the fact that his firm was auditor of a shareholder whose conduct or involvement with the Securitibank group was under close scrutiny by the liquidator."

"He agreed that the partners and staff of the firm would have access to much confidential information about both insurance companies and that he and Stowell could have access, as partners, to this information, he recognised that they would be bound by confidentiality from using that information as liquidator. He stated that informal discussions with the directors of both the New Zealand, and South British Insurance

Companies revealed that there were no objections to the nomination of Rea and Stowell as liquidators.

"Rea acknowledged that there could be difficulties in that the auditor of the New Zealand Insurance Co would have to make some statement in his annual report to the shareholders regarding possible liability of the company under the Paraplegic Association's action (whether or not it had been taken over by the liquidator). This tag to the accounts would be given in the name of the firm, the Auckland partners of which would be sharing in fees received from both the New Zealand Insurance Co. and from Securitibank."

Mr Justice Barker ruled against Rea and Stowell on the grounds of conflict of interest which their firm had as auditors of New Zealand Insurance.

"An auditor must necessarily have access to confidential information belonging to the company being audited; he is therefore bound to hold this information in confidence. An auditor is deemed to be an officer of the company."

"In this case, it is suggested as a reasonable possibility of

put it no higher; that there would have to be an investigation as to whether there was a fraudulent preference given to the South British Insurance Co by Securitibank. It would be difficult, if not impossible, for the appearance of impartiality to be given if the firm which was one of the auditors at the time of the alleged fraudulent preference was seen to be investigating the question of the audit client's involvement in a fraudulent preference."

He pointed out the difficulties arising from the auditors having access to Securitibank shareholders' minute books and the like, and in having this information, tagging the client's accounts with reference to the contingent claim already lodged against NZI by the paraplegics.

Mr Justice Barker pointed out that it was no answer to say NZI only had a 1 to 2 per cent shareholding, because each Securitibank shareholder is being sued for negligence... and liability for negligence is joint and several.

Thus on the question of the liquidator's independence, the court's decision was a clear victory for the consortium.

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# Employee stockholders set US business trend ownership pushes up productivity levels

by Philip Greer

FOUR years ago John Lupien was a supervisor at an asbestos mine in northern Vermont. The United States Environmental Protection Agency (EPA) ordered the mine's owner to install \$1.3 million worth of anti-pollution equipment. The company decided to close the mine.

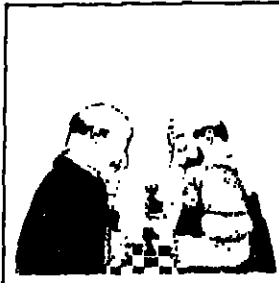
With Lupien in the lead, the miners decided to buy the mine and preserve its 180 jobs. With \$100,000 of their own money and aided by \$2 million in loans from local banks and state agencies, the employees took over the mine and installed Lupien as chairman of the board of the newly named Vermont Asbestos Group.

In the three years that followed, the mine prospered as the market price of asbestos took a sudden and unexpected — turn upward. The employees' shares, bought for \$50 each, soared to a value of more than \$2300. In its first year under employee ownership, the mine paid a dividend of \$50 a share,

returning the entire initial investment. The next year, a dividend of \$60 a share was paid. The EPA's requirements were met in the first year of operation.

A few kilometres away, in Saratoga Springs, New York, Donald Cox is president of Saratoga Knitting Mills, bought by its employees from Cluett Peabody & Company in June 1975. In its last fiscal year, the mill shipped out \$3.5 million worth of lightweight fabric used for making women's undergarments. In 1977 its sales were \$9.75 million.

While both operations have been successful under employee ownership, their stories have different endings. Lupien was forced out as chairman of Vermont Asbestos Group early in 1978, after the stockholders voted to replace all but one member of the board. "I may have been a moneymaker," he says, "but I was bad at politics. As soon as a worker gets some stock he becomes a capitalist. He



THE INDUSTRIAL FRONT

thinks he can run the business better. The workers said I had been lucky for three years."

In Saratoga Springs, Cox has had no trouble with his employee-owners. "The minute my foot hits the sidewalk, everybody knows who's boss," he says. "That's the way you have to do those things." Later in the conversation, he admits he has "backed off that a little lately."

Employee ownership of American business is on the rise. There are no precise

figures on the extent of the trend, chiefly because "ownership" can vary from employee trusts that hold only a few per cent of a company's outstanding shares to outright ownership, either through trusts or through direct share sales.

A number of agencies, both public and private, are involved in the conversions, but their estimates of the number of firms controlled by their employees range from "50 or 60" by an official of the United States Department of Labour to "300 to 500" by a nonprofit organisation that provides technical advice.

Louis Kelso of San Francisco, who originated the idea of Employee Stock Option Trusts (ESOTs), which are rapidly gaining in popularity, says he has worked on 600 to 700.

There isn't any question, though, that employee ownership has been successful. A 1977 study by the Institute for Social Research at the University of Michigan showed that 30 employee-owned firms for which data

was available had a higher level of profit than conventionally owned firms in the same business.

A United States National Science Foundation study in 1975 found that worker productivity increased in 10 per cent of the employee-owned firms it studied.

Some individual cases are even more impressive. The Chicago and North-western Transportation Company, which has been worker owned since 1972, has made profits in five of the last six years. In the same period, two of its chief competitors have filed petitions of bankruptcy.

While employee ownership is still a small factor in the broad sweep of American business, it is an important segment of some industries. In the north-western United States, for instance, the plywood business attracted a number of employee companies.

Professor Edward Green-

berg, of the University of Colorado, who has studied the factors, attributes that to business ("all you need is power saw," he says) and tradition of ownership in Scandinavian countries, the many of the workers had the tools.

The employee-owned plywood companies consistently out-perform their privately owned competitors. One study in 1968 concluded that productivity at its companies was 30 per cent higher than at firms that

were not owned by their employees. Although he's a supporter of employee ownership, Greenberg agrees with the common: John Lupien and Donald Cox, the arrangement is with problems.

"If you look at it in size terms — how well the company do in as

producing its product and so on," he says, "it's very clear that they equal or surpass regular companies. From the point of view of the professional manager, though, it's a pain... At the smaller companies or cooperatives, you see people walking in and out in work clothes."

"They have a right to look at the books, they can ask any questions they want. They look at the manager and say 'that turkey works for me.' If one were a manager, I can see where it would be frustrating."

Employee ownership can take one of several forms. The most prevalent now is standard stock ownership but

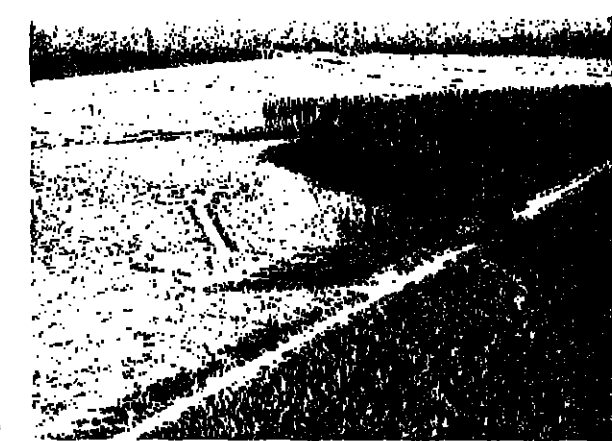
thanks to help from the United States Congress, Employee Stock Ownership Trusts are growing quickly.

ESOTs are trusts set up to borrow money and use it to buy stock in the employee's company. The company can use the funds for its own purposes and periodically

makes payments to the ESOT, which are used to repay the loans. When the loan is fully paid, the shares are distributed to the employee-beneficiaries of the trust.

Company contributions to the trust are tax-deductible, making ESOTs a popular way to raise capital for expansion. In addition, in 1975, Congress allowed companies buying new equipment and thus entitled to a credit against their income taxes equal to 10 per cent of the cost of the equipment, to take an additional one per cent if a like amount was contributed to an ESOT.

Economist Kelso, who developed the ESOT concept more than 20 years ago, says it is based on the theory that there are two factors of production — labour and capital. ESOTs, he says, are a means for the labour to acquire the capital (such as machinery and plants, which are acquired through the stock ownership) in such a



PLYWOOD ATTRACTS EMPLOYEE COMPANIES... "all you need is a power saw."

way that the capital will generate the cash to pay for itself.

"The ESOT does two things," Kelso says. "It gets the pre-tax dollar, both for the benefit of the employee who is accumulating capital but who really is given credit to buy stock representing capital and, second, to pay for it out of the earnings of the capital which that stock represents and to pay for it in pre-tax dollars."

"It is not a give-away technique... Our technique is personal. It makes have-nots out of the have-nots without

making have-nots out of the have-haves."

The growth of ESOTs so far has come in the face of strong opposition from organised labour. Economists for labour unions say the ESOTs have been used as a substitute for the more common pension plans and that they are dangerous because the employees must rely on the fortunes of one company rather than enjoying the diversification of their assets that they would get in a pension plan.

(Kelso has come up with extensions of the ESOT idea.

One is called a GSOC, or General Stock Ownership Corporation, in which company shares are owned by people in the community, whether employees or not, who are directly affected by the fortunes of the company.)

Another popular form of ownership is the worker cooperative. Workers can buy different amounts of stock, but each employee has one vote on corporate policy, no matter how many shares he owns. "It's a way of separating voting control from investment," says John Blanchard of the American Friends Service Committee in Cambridge, Massachusetts, which offers technical advice on establishing co-ops.

Blanchard has worked on only a few cooperatives — meat packing, baking and printing companies among them — and says the key to his plan is enabling workers who cannot afford large investment to have some ownership and an equal voice in the company.

"The problem," he says, "is that it's easier to do with a company that is labour-intensive than one that is capital-intensive (requiring large investments of capital for equipment, plants, raw

materials purchases, etc.)." No matter what form the employee ownership takes — ESOTs, cooperatives or simple stock ownership — people who deal with them say they have common problems.

"One of the pitfalls that these companies have," according to John Blanchard, "is not to provide some means of restructuring and education and training to handle the old tensions of organisational development between labour and management."

"They don't disappear. You have to provide a structured and educational formal to handle those things in a regular systematic way rather than a haphazard way, so that labour problems don't become management problems. You can alleviate them if you work at it in a gradual and systematic way."

Those involved with the movement say it is inevitable that more and more companies will come to be controlled by their employees.

Says John Lupien: "I believe that in today's society, it is a must that people get involved — even invest in the company they're working for — to try to control their own future, their destiny."

## Control move on foreign reinsurers draws fire

Melbourne Correspondent

A PROMINENT American insurance executive has criticised a proposal by the Australian Insurance Commissioner to control foreign reinsurers operating in Australia. Quickened by the Beneficial Corporation of the United States said, that any such attempts to control foreign reinsurers would reduce the number willing to operate in Australia.

He reminded Australians that 70 per cent of the payment of insurance claims resulting from the Darwin cyclone of 1974 came from foreign sources.

John Janicko, Executive Director of the Insurance Council of Australia, told a meeting earlier this year that the most important function foreign-owned companies could perform in Australia today was the development of an adequate reinsurance capacity.

However, he added that the time for the Australian insurance industry to rely on overseas facilities to provide most of the reinsurance might have passed.

There was also, he said, a school of thought which believed that the country's reinsurance needs could best be provided through

nationalising insurance. International agencies of considerable weight in the international market, argued that a state insurance agency is ready and cheaply re-insurance.

One party to a case being heard by the Planning Appeals Tribunal, the State of Victoria, said the life of their chairman for \$400.

The appeal, over a complex development, involved 200 parties and 200 appeals. Every person in the box has to be examined, with four days competing for possible trials.

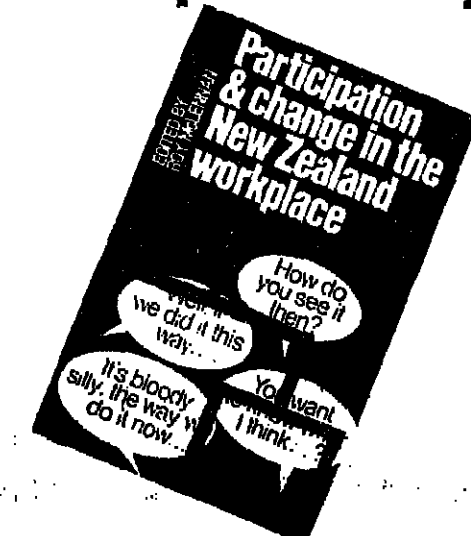
Legal costs so far reached \$400,000.

Under the act governing tribunals, the chairman takes part in the final decision. If he dies before the decision is made, the case must begin again. The present chairman is a legal and a major party to a dispute, a finance company has insured his life for 12 months to guard against additional legal costs should he die before the decision.

It appears that the case takes a pessimistic view of the delay in Victoria, an option for a further month's insurance of chairman's life.



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ASBESTOS kills in several ways. First, there is asbestosis. Tiny invisible asbestos fibres in the air are inhaled. They irritate the lung leaving scars in the small tubes and air sacs. This scarring is called fibrosis.

It thickens the lining of the lung's air sacs inhibiting the passage of oxygen from the air to the blood. This in turn puts a strain on the heart. The victim can die of heart failure or suffocation.

Once the scarring starts it is irreversible. Scarring left to reach an advanced stage will continue even if the victim is removed from the source of exposure.

Death can be put down to suffocation or heart failure. The root cause, asbestosis, will not be discovered unless suspected and a post mortem examination is made on the victim's lungs.

Lung cancer caused by asbestos is little different from that caused by smoking. It can rarely be cured. Victims usually

live from six to nine months.

Mesothelioma is a rare type of cancer almost always caused by asbestos after exposure as short as one day. This cancer affects the lining of the lung and abdomen. It is incurable. It kills within six months to two years. People exposed to asbestos show increased death tendency from cancer of the stomach, oesophagus, and bowel.

American medical researchers estimate that 45 per cent of all asbestos workers will die of some form of cancer. Depending on the level of exposure to asbestos, the chance of getting cancer of any kind is three to four times higher than an unexposed worker. Deaths from lung cancer are roughly seven times higher for asbestos workers and deaths from gastro-intestinal cancers are roughly three times higher.

About 10 per cent of asbestos related deaths are due to mesothelioma. It takes most people 20 years from the time of

exposure to develop cancer. Many workers become sick after they have left the job and may not even remember they were exposed to asbestos or when.

The causal link between asbestos exposure and cancer death is not drawn unless it is suspected and established by autopsy and lung examination with an electron microscope.

The causal link has been established overseas. So too have cases of civil liability. But in New Zealand this has not been so, except where the link has been obvious and forced on the public's nose by concerned trade unions.

American expert in asbestos related disease, Philip Sillcock of the Mount Sinai School of Medicine, estimates the risk of lung cancer is 90 times greater for an asbestos worker if he smokes. This is because of the synergistic effect between tobacco smoke and asbestos fibres.

## Asbestos lobby successfully quashes fears

by Warren Berryman

THE asbestos lobby has been successful in New Zealand in playing down the dangers of asbestos.

For example, following an asbestos scare, James Hardie and Co, New Zealand's only manufacturer of asbestos cement building products and pipes published a background paper titled *Asbestos and Health* in December 1978.

It said: "Our belief, backed by expert study of all available medical research, is that the risks which were once associated with asbestos have been virtually eliminated in the manufacture of asbestos cement products."

The paper said that mesothelioma is most commonly associated with blue asbestos which is banned in most countries and has not been used here in Hardie products for a decade.

It stressed that dangers were associated with prolonged exposure to excessive quantities of asbestos dust when the health hazards

were insufficiently appreciated and controls inadequate.

Hardies said that 90 per cent of the asbestos used in this country is bound into asbestos cement products. As the cement binds the fibres there is minimum risk of dust — except when the product is being milled or sawn.

Skilled tradesmen working with asbestos cement products can eliminate the dust risk by cutting or milling it wet. But the general public may not be aware of the dangers when working in their own homes.

While most researchers would agree with James Hardie's point that asbestos cement products are the safest form of asbestos use they would not agree with their conclusions about only high levels or prolonged exposure to asbestos dust being dangerous.

Nor would they agree with the implication that now that we have banned blue asbestos all will be right.

James Hardie also operates in Australia. In March, James

Hardie of Australia offered \$13,950 in compensation to employees permanently disabled as a result of working with asbestos.

Officers of the New South Wales Health Commission are investigating two sites where James Hardie dumped asbestos waste. This investigation was initiated by an ABC television programme "Nationwide" on the alleged health hazards of asbestos waste dumped by the company in parts of Sydney.

Australian Labour Party MP John Kerin called James Hardie's background paper a "masterpiece of deception".

"The industry overall has lulled public awareness and dulled bureaucratic surveillance through control of information, and generally created an environment which is highly profitable to companies such as Hardies but which is deadly for its workforce and the population at large," Kerin said.

Kerin asked the Australian Parliament to replace

asbestos industry representatives on such Government bodies as the National Health and Medical Research Council.

"It is one of the absurdities of our society that representatives of an industry which is exposing its workers and the community to the risks of asbestos-caused diseases are advising governments on issues of public health and welfare," he said.

Awareness of the dangers related to asbestos in Australia has led to a corresponding increase in cases of compensation for sufferers.

Up to 1975 only 30 people in New South Wales had received compensation for these diseases. Compensations for asbestos victims in the State are now running in excess of 40 persons a year.

This increase is partially due to the long time lag between exposure and death. It is also due to awareness leading to establishment of cause and effect.

There are five types of

asbestos: white or chrysotile asbestos is the most common; amosite, anthrophyllite, and tremolite; and blue or crocidolite asbestos, which has been the subject of many asbestos scares and been banned in New Zealand for the past 10 years or so.

Most publicity related to asbestos dangers in this country has been in regard to blue asbestos. There is still a lot of blue asbestos already in place in buildings throughout the country.

Australian medical authorities are presently trying to locate New Zealanders who worked or lived in the West Australian town of Wittenoom. Blue asbestos was mined near Wittenoom and the streets of the tiny outback town are still gravelled with asbestos tailings from the mine.

Wittenoom has been closed down — both the town and the mines. Tests on hundreds of workers from Wittenoom have revealed scores of asbestos related diseases. The search is on here for New Zealanders known to have lived or worked in the town.

But there could have been hundreds of thousands of asbestos deaths put down to heart failure or cancer.

The New Zealand Engineering Union is working with Dr Sillcock of the Auckland School of Medicine to establish a register of past and present asbestos workers.

As overseas, it is the who are spontaneously drive to protect asbestos related disease who are most concerned. The union has set up a strict code of practice for its members working with asbestos.

Despite these efforts, Assistant secretary of the Auckland branch of the Engineer's Union, Peter Butterworth, said he has across workers' asbestos dry and dust off the machine.

Butterworth also pointed out that the department agreed to replace the insulation in the damaged section with fibreglass — but the problem will recur constantly and with the blue asbestos becoming more crumbly and dusty with age.

O'Leary said: "There is a great deal of false and misleading information available."

He described some as coming from "well intentioned but scientifically muddled organisations such as the New Zealand Health Department."

O'Leary's remarks about the Health Department were kind compared with those coming from other unionists in the frontline facing asbestos exposure.

Some unionists accuse the Health Department of whitewashing asbestos dangers. The Health Department's secretary, they said, when

the Health Department last for asbestos dust in the workplace, the test, confidential to the department and the employer.

By comparison, law demands regular level testing in work with an asbestos dust workers have full access to both the final report procedures for carry out.

American law also demands that employers provide their own cost medical examination: workers who might be to asbestos.

Little has been done in New Zealand to establish a link between exposure to asbestos and death.

Between 1971 and 1975, six deaths only were attributed to mesothelioma in New Zealand. These deaths have been recorded with asbestos workers.

Possibly because mesothelioma is a virtually fatal disease.

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## Union leader labels asbestos: "time bomb"

by Warren Berryman

MANY of the 400 workers employed in Auckland's civic administration building heaved a sigh of relief when the Department of Health delivered an all clear report ending this country's most recent asbestos scare.

Others were not so sure the Health Department had done its job properly. Some suggested a whitewash job.

It all started months back when particles of asbestos were found on an employee's desk after work had been carried out around the building's ventilation ducts.

The Local Authorities Officers' Union was called in to investigate. The Auckland Engineers' Union provided information that the interior of parts of the ventilation system was lined with asbestos.

Both unions were concerned that asbestos dust might have been blown throughout the building and breathed by employees.

Asbestos causes several types of cancer and asbestosis, generally incurable.

The assistant secretary of the Engineer's Union Auckland branch, Jim Butterworth, has become something of a New Zealand authority on asbestos related deaths in the workplace. After studying the civic situation he described the ventilation system as a time bomb.

He said the asbestos might have been safe enough when installed, but with time the lining agent holding the fibres together could break down. And the hot air, so they could only be detected with an electron microscope, would be blown round the building.

This had happened overseas. And the asbestos found on the employee's desk could be taken as evidence that the building material was not all that durable.

Butterworth said the asbestos should never have been used on the interior of a

ventilation system in the first place and should be removed.

NBK called up a selection of ventilation engineers who were incredulous that asbestos should have been used on the interior of a ventilation system. They concurred with Butterworth that it should be removed.

The Health Department was called in by the Auckland City Council. It tested two of the building's 20 floors with a device that draws a measured quantity of air through a filter.

A fibre count is then made on the filter.

The Health Department produced a one paragraph report that read: "Samples for asbestos in air were carried out in the civic administration building and the results have now been received. Testing of the work environment was carried out on the sixth and ninth floors on April 21, 1979, and the results have been reported as having a negligible level of asbestos."

The Health Department keeps the results of such reports confidential between themselves and the employers. It is up to the employer to make them available to the employees.

Butterworth's time bomb theory was never put to the test. The Health Department tested the present levels of asbestos dust in the air. The

asbestos used in the system was brown asbestos, or amosite, which has the same health hazard as white asbestos.

The Health Department's limits for white asbestos are two fibres per millilitre of air, while for blue asbestos it is 0.2 fibres.

Copies of this report were eventually made available to the union representing the employees involved.

They asked why only two floors out of 20 were tested. There was also the hypothetical question of what might have happened in the event if the results had shown a hazard.

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Butterworth's time bomb theory was never put to the test. The Health Department tested the present levels of asbestos dust in the air. The

potential danger, should the building material break down releasing the fibres into the stream of ventilating air, was not evaluated.

Auckland district medical officer Norman Barnett said the department was not geared up to do such a test.

"We don't deal with potential problems, but with situations as they exist at the time," he said.

Barnett was unwilling to give details of his department's testing procedures on the building. "That's between the employers and ourselves," he said.

"As far as we're concerned only blue asbestos is carcinogenic and blue asbestos has been banned here," he said. He added that he did not know of any deaths due to asbestos in this country.

Despite Barnett's reassurances, overseas research material has proven that both blue and white asbestos cause cancer and asbestosis. And Health Department records show

there have been at least a half dozen deaths from asbestos-caused cancer reported in New Zealand in recent years.

The employees in the building can be grouped in two schools. Those who accept the Health Department's assurances, and those who have travelled overseas and seen asbestos being treated with the caution usually associated with something like atomic waste.

Butterworth is concerned that other buildings' ventilation systems might have been done in the same way. He is now trying to track them down, seeking co-operation from the people that installed them.

It is notable that in some American cities the use of spray-on asbestos, such as that used in the civic administration building, has been banned entirely.

That is to say, it has been banned from use even where there is not a stream of air flowing over it and down the throats of 100 employees.

## Scientists predict asbestos epidemic

by Warren Berryman

ASBESTOS, according to American medical researchers, will kill 51 per cent of the 10 million defence staff who worked with the substance during World War II.

American scientists predict an asbestos epidemic on the same scale as the bubonic plague.

Asbestos kills. American and British medical researchers, who have investigated the causal link between exposure to asbestos and death, have established this beyond reasonable doubt.

But asbestos usually kills slowly. The causal link, in most cases is not obvious. The asbestos electron microscope detected fibres in the human respiratory and alimentary tracts causing respiratory disease and cancer.

Death can occur 20 years or more after exposure. Cause of death can be put down to heart failure or cancer. The underlying cause may not be discovered without an autopsy.

The causal link between exposure to asbestos and death will not usually be made unless someone points out the possibility. In most cases this has been done by trade unions representing asbestos workers.

In Britain, America, and New Zealand the trade unions have been in the vanguard, both in establishing the causal link between exposure to asbestos and subsequent death, and in pressing for safety measures in asbestos use.

Trade unionists working directly with asbestos have received their warnings. The general public has not.

Few asbestos related deaths have been reported in New Zealand. This is not because New Zealanders are free from exposure. They are exposed, and exposed without the benefit of the warnings existing overseas.

The low number of death certificates in this country describing exposure to asbestos as the principal cause is probably due to the fact that asbestos dust is not found

anywhere but in the workplace, has looked beyond the immediate cause of death to the principal cause.

Overseas studies show that asbestos-related deaths can include: a wife whose only exposure was washing her husband's overalls; office workers exposed to asbestos dust coming from the asbestos lining of their office building's ventilation system; or home handyman who build a bungalow with materials containing asbestos.

Asbestos has been called the miracle mineral. It has the unique ability to resist fire, acids, corrosion and friction wear. Asbestos has more than 3000 industrial uses from patrollers to brake linings, pipe lagging to asbestos cement pipes and roofing.

The asbestos industry claims there is no substitute for the material.

Asbestos is found in nearly every home.

The asbestos industry has lulled the public into a sense of security with claims that death results only from long or high levels of exposure to their product.

The industry, and the New Zealand Health Department, also maintain that blue asbestos, which has been banned from this country for the past decade is the prime offender. The public is led to believe that white asbestos, currently being used, is relatively safe.

However, overseas cases show deaths from both blue and white asbestos.

The claim that it takes long exposure or exposure to high concentrations of asbestos dust to kill is also untrue. Deaths have been attributed to asbestos after only one day's exposure.

Nor is it only the asbestos worker who is at risk. In one reported case, an executive died from exposure to asbestos. Looking for the source of exposure it was discovered that he had hung his coat in a closet beneath pipes lagged with asbestos. Apparently the dust had fallen on his coat lapels and shoulders.

## Ralta believe export packaging is all about avoiding problems — not just surviving them.

"Ralta Limited export a wide range of cast aluminium cookware and other products to various distribution outlets throughout Australia. Last year we achieved over \$1 million in trans-Tasman sales. The packaging supplied by AHI Hygrade has been a large contributor to that success."

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Mr. Donald Macdonald National Sales Manager, Ralta Ltd. (left) and Mr. Ken Carney, Sales Manager, Hygrade Carton Division.

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If you would like further information or a copy of our extensive "Packaging for Export" brochure contact your local Hygrade Sales office or the Marketing Manager, AHI Paper Products Group, Private Bag, Auckland.

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